

# H. R. 4217

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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.

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

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

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

4 “(a) PURPOSE.—”; and

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

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

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

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

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

16 “(4) LOSS RATIO.—The term ‘loss ratio’ means  
17 the ratio of all sums paid by the Corporation as in-  
18 demnities under all crop insurance policies to that of  
19 the premiums designated for anticipated losses and  
20 a reasonable reserve, not including the portion of the  
21 premiums designated for operating and administra-  
22 tive expenses.

23 “(5) TRANSITIONAL YIELD.—The term ‘transi-  
24 tional yield’ means the maximum average production  
25 per acre or equivalent measure that is assigned to

1       acreage for a crop year by the Corporation in ac-  
2       cordance with its regulations whenever the producer  
3       fails—

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

7               “(B) to present such acceptable docu-  
8               mentation upon the demand of the Corporation  
9               or an insurance company reinsured by the Cor-  
10              poration.”.

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

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

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

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

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

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

23               (2) by striking “the Under Secretary or Assist-  
24               ant Secretary of Agriculture responsible for the farm  
25               credit programs of the Department of Agriculture”

1 and inserting “one additional Under Secretary of  
2 Agriculture (as designated by the Secretary of Agri-  
3 culture)”.

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

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

7 (1) by redesignating subsections (j), (k), (l),  
8 (m), and (n) as subsections (k), (l), (m), (n), and  
9 (o), respectively; and

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

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

16 (b) REGULATIONS; PREEMPTION.—Subsection (e) of  
17 such section is amended—

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

20 (2) by adding at the end the following new sen-  
21 tence: “State and local laws or rules shall not apply  
22 to rules and regulations adopted by the Corporation  
23 to the extent that such rules and regulations so pro-  
24 vide or to the extent that State and local laws or

1 rules are inconsistent with such rules and regula-  
2 tions.”.

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

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

11 “(B) disqualify the person—

12 “(i) from purchasing catastrophic risk  
13 protection under section 508(b) or partici-  
14 pating in the noninsured assistance pro-  
15 gram under section 519 for a period not to  
16 exceed 2 years; and

17 “(ii) from receiving any other benefit  
18 under this title for a period not to exceed  
19 10 years.”.

20 (e) ACTUARIAL SOUNDNESS.—Subsection (o) of such  
21 section (as redesignated by subsection (a)(1)) is amend-  
22 ed—

23 (1) in paragraph (1), by striking “beginning  
24 farmers from obtaining adequate Federal crop insur-  
25 ance, as determined by the Corporation” and insert-

1 ing “beginning farmers, as determined by the Sec-  
2 retary, from obtaining Federal crop insurance”;

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

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

7 (4) by inserting after paragraph (3) the follow-  
8 ing new paragraph:

9 “(4) establishing a database that contains social  
10 security numbers or employee identification numbers  
11 of insurance agents and adjusters and using the  
12 numbers to identify agents and adjusters who are  
13 high risk for actuarial purposes, and for other pur-  
14 poses permitted by law; and”.

15 (f) REGULATORY AND PAPERWORK REDUCTION.—  
16 Such section is further amended by adding at the end the  
17 following new subsection:

18 “(p) REGULATORY AND PAPERWORK REDUCTION.—

19 “(1) CATASTROPHIC RISK PROTECTION.—In de-  
20 veloping and carrying out the policies and proce-  
21 dures for catastrophic risk protection under section  
22 508(b), the Corporation shall minimize, to the maxi-  
23 mum extent practicable, the paperwork required and  
24 the complexity and costs of procedures governing the

1 application for, and the processing and servicing of,  
2 catastrophic risk protection.

3 “(2) OTHER PLANS.—To the extent that the  
4 policies and procedures developed under paragraph  
5 (1) may be applied to other plans of insurance of-  
6 fered under this title without jeopardizing the actu-  
7 arial soundness or integrity of the crop insurance  
8 program under this title, the Corporation shall apply  
9 the policies and procedures to the other plans of in-  
10 surance within a reasonable period of time (as deter-  
11 mined by the Corporation) after the effective date of  
12 this paragraph.

13 “(3) SOLICITATION OF COST INFORMATION AND  
14 COST-REDUCTION PROPOSALS.—

15 “(A) COST INFORMATION.—The Corpora-  
16 tion shall solicit from private insurance provid-  
17 ers and agents information regarding—

18 “(i) their average cost per policy of  
19 complying with requirements, regulations,  
20 procedures, and processes under this title;  
21 and

22 “(ii) the data upon which such costs  
23 are determined.

24 “(B) COST-REDUCTION PROPOSALS.—The  
25 Corporation shall also solicit from private insur-

1           ance providers and agents proposals for modify-  
2           ing or altering the requirements, regulations,  
3           procedures, and processes under this title to re-  
4           duce their total average cost per policy.

5           “(C) REPORT.—By June 1, 1995, the Cor-  
6           poration shall submit a report to Congress con-  
7           taining the information received under subpara-  
8           graph (A) and an evaluation of the cost-reduc-  
9           tion proposals received under subparagraph  
10          (B).

11          “(4) COST REDUCTION PLAN.—

12           “(A) PLAN REQUIRED.—Subject to the  
13           condition that the Corporation maintain the in-  
14           tegrity of the crop insurance program under  
15           this title, the Corporation shall include in the  
16           report required under paragraph (3) a plan to  
17           reduce the average cost per policy incurred by  
18           private insurance providers and agents to com-  
19           ply with requirements, regulations, procedures,  
20           and processes under this title. To the extent  
21           practicable, the Corporation shall set a target  
22           percentage by which such costs should be re-  
23           duced.

24           “(B) IMPLEMENTATION OF PLAN.—Not  
25           later than 60 days after submitting the report

1 required under paragraph (3), and in accord-  
2 ance with the plan contained in the report, the  
3 Corporation shall adopt such measures consist-  
4 ent with maintaining the integrity of the crop  
5 insurance program under this title as the Cor-  
6 poration determines are appropriate—

7 “(i) to improve Corporation liaison  
8 with policyholders and private insurance  
9 providers; and

10 “(ii) to reduce the average cost per  
11 policy to meet the target percentage set by  
12 the Corporation.”.

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

16 “(q) PROGRAM COMPLIANCE.—

17 “(1) TIMELINESS.—The Corporation shall work  
18 actively with private insurance providers to address  
19 program compliance and integrity issues as such is-  
20 sues develop.

21 “(2) NOTIFICATION OF COMPLIANCE PROB-  
22 LEMS.—The Corporation shall notify in writing any  
23 private insurance provider with whom the Corpora-  
24 tion has an agreement under this title of any error,  
25 omission, or failure to follow Corporation regulations

1 or procedures for which the private insurance pro-  
2 vider may be responsible and which may result in a  
3 debt owed the Corporation. Such notice shall be  
4 given within 3 years of the end of the insurance pe-  
5 riod during which the error, omission, or failure is  
6 alleged to have occurred, except that such time limit  
7 shall not apply with respect to errors, omissions, or  
8 procedural violations that are willful or intentional.  
9 The failure to timely provide the notice required  
10 under this subsection shall relieve the private insur-  
11 ance provider from the debt owed the Corporation.”.

12 **SEC. 4. PERSONNEL.**

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

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

17 (2) in subsection (c), by striking “, in which  
18 case the agent or broker” in the first sentence and  
19 all that follows through the period at the end of the  
20 second sentence and inserting the following: “, ex-  
21 cept that the rate established by the Board to reim-  
22 burse approved insurance providers and agents for  
23 their administrative and operating costs shall not ex-  
24 ceed, for the 1997 crop year, 29 percent of the pre-  
25 mium used to define loss ratio under section 502,

1 and for the 1998 and 1999 crops, such reimburse-  
2 ment rate shall not exceed 28 percent of the pre-  
3 mium used to define loss ratio under section 502.  
4 Consistent with the provisions of section 506(p), the  
5 Board shall provide regulatory relief to such ap-  
6 proved insurance providers and agents in an amount  
7 proportional to the reduction in the reimbursement  
8 rate established by the Board for the 1997, 1998,  
9 and 1999 crop years. No action shall be taken which  
10 would jeopardize program integrity, enhance oppor-  
11 tunities for fraud or abuse, hinder program expan-  
12 sion or diminish quality of service to customers.”;

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

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

18 “(g) SPECIALTY CROPS COORDINATOR.—The Cor-  
19 poration shall establish a senior-level position to be known  
20 as the Specialty Crops Coordinator. The Specialty Crops  
21 Coordinator shall have primary responsibility for address-  
22 ing the needs of specialty crop producers and for providing  
23 information and advice in connection with the Corpora-  
24 tion’s activities to improve and expand the insurance pro-  
25 gram for specialty crops. In carrying out such responsibil-

1 ity, the Specialty Crops Coordinator shall act as the Cor-  
2 poration’s liaison with representatives of specialty crop  
3 producers and provide the Corporation with the producers’  
4 knowledge, expertise, and familiarity with risk manage-  
5 ment and production issues pertaining to specialty crops.  
6 The Specialty Crops Coordinator shall also use informa-  
7 tion collected from Corporation field office directors in  
8 States in which specialty crops have a significant economic  
9 effect and from other sources, including the extension  
10 service and colleges and universities.”.

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

12 (a) GENERAL AUTHORITY TO OFFER INSURANCE.—  
13 Subsection (a) of section 508 of the Federal Crop Insur-  
14 ance Act (7 U.S.C. 1508) is amended to read as follows:

15 “(a) AUTHORITY TO OFFER INSURANCE.—

16 “(1) GENERAL AUTHORITY AND LOSSES COV-  
17 ERED.—If sufficient actuarial data are available, as  
18 determined by the Board, the Corporation may in-  
19 sure (or provide reinsurance for insurers of) produc-  
20 ers of agricultural commodities grown in the United  
21 States under any plan or plans of insurance deter-  
22 mined by the Board to be adapted to the agricul-  
23 tural commodity involved. To qualify for coverage  
24 under these plans of insurance, the losses of the in-  
25 sured commodity shall be due to drought, flood, or

1 other natural disaster, as determined by the Sec-  
2 retary.

3 “(2) PERIOD OF COVERAGE.—Except in the  
4 case of tobacco, insurance shall not extend beyond  
5 the period the insured commodity is in the field. For  
6 the purpose of the foregoing sentence, in the case of  
7 aquacultural species, the term ‘field’ means the envi-  
8 ronment in which the commodity is produced.

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

11 “(A) due to the neglect or malfeasance of  
12 the producer;

13 “(B) due to the failure of the producer to  
14 reseed to the same crop in those areas and  
15 under such circumstances where it is customary  
16 to reseed; or

17 “(C) due to the failure of the producer to  
18 follow good farming practices, as determined by  
19 the Corporation.

20 “(4) EXPANSION TO OTHER AREAS OR SINGLE  
21 PRODUCERS.—

22 “(A) AREA EXPANSION.—The Corporation  
23 may offer plans of insurance or reinsurance for  
24 production of agricultural commodities in the  
25 Commonwealth of Puerto Rico, the Virgin Is-

1 lands of the United States, Guam, American  
2 Samoa, the Commonwealth of the Northern  
3 Mariana Islands, and the Trust Territory of the  
4 Pacific Islands in the same manner as provided  
5 in this section for production of agricultural  
6 commodities in the United States.

7 “(B) PRODUCER EXPANSION.—In areas in  
8 the United States or specified in subparagraph  
9 (A) where crop insurance is not available for a  
10 particular agricultural commodity, the Corpora-  
11 tion may offer to enter into a written agree-  
12 ment with an individual producer operating in  
13 that area for insurance coverage under this title  
14 if the producer has actuarially sound data relat-  
15 ing to the producer’s production of that com-  
16 modity and such data is acceptable to the Cor-  
17 poration.

18 “(5) DISSEMINATION OF CROP INSURANCE IN-  
19 FORMATION.—The Corporation shall make available  
20 to producers through local offices of the Department  
21 of Agriculture—

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

1           “(B) a listing of insurance agents and  
2           companies offering to sell crop insurance in  
3           their area.

4           “(6) ADDITION OF NEW AND SPECIALTY  
5           CROPS.—

6           “(A) DATA COLLECTION.—Not later than  
7           6 months after the date of the enactment of  
8           this paragraph, the Secretary shall issue guide-  
9           lines for publication in the Federal Register for  
10          data collection to assist the Corporation in for-  
11          mulating crop insurance policies for new and  
12          specialty crops.

13          “(B) ADDITION OF NEW CROPS.—Not later  
14          than 1 year after the date of the enactment of  
15          this paragraph, and annually thereafter, the  
16          Corporation shall report to Congress on the  
17          progress and expected timetable for expanding  
18          crop insurance coverage under this title to new  
19          and specialty crops.

20          “(C) ADDITION OF DIRECT SALE PERISH-  
21          ABLE CROPS.—Not later than 1 year after the  
22          date of the enactment of this paragraph, the  
23          Corporation shall report to Congress on the fea-  
24          sibility of offering a crop insurance program de-  
25          signed to meet the needs of specialized produc-

1           ers of vegetables and other perishable crops who  
2           market through direct marketing channels.”.

3           (b) REPORT ON IMPROVING DISSEMINATION OF  
4 CROP INSURANCE INFORMATION.—Not later than 6  
5 months after the date of the enactment of this Act, the  
6 Federal Crop Insurance Corporation shall submit a report  
7 to Congress containing a plan to implement a sound pro-  
8 gram for producer education regarding the crop insurance  
9 program and for the dissemination of crop insurance infor-  
10 mation to producers, as required by section 508(a)(5) of  
11 the Federal Crop Insurance Act. Subsequent reports on  
12 the progress of the implementation of the program shall  
13 be submitted to Congress in 1996 and 1997.

14 **SEC. 6. CATASTROPHIC RISK PROTECTION, BUY-UP COV-**  
15 **ERAGE, PREMIUMS, AND YIELD DETERMINA-**  
16 **TIONS.**

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

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

21           (2) by redesignating subsections (b) and (d) as  
22           subsections (h) and (i), respectively; and

23           (3) by inserting after subsection (a) the follow-  
24           ing new subsections:

25           “(b) CATASTROPHIC RISK PROTECTION.—

1           “(1) CATASTROPHIC RISK PROTECTION RE-  
2           QUIRED.—The Corporation shall offer to producers  
3           of agricultural commodities grown in the United  
4           States a catastrophic risk protection plan to indem-  
5           nify a producer for crop losses due to loss of yield  
6           or prevented planting resulting from drought, flood,  
7           or other natural disaster, as determined by the Sec-  
8           retary, if the producer is unable to plant other crops  
9           for harvest on that acreage for that crop year.

10           “(2) AMOUNT OF COVERAGE.—

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

14                   “(i) coverage equal to 50 percent loss  
15                   in yield (determined on an area or individ-  
16                   ual yield basis as described in subsection  
17                   (g)) indemnified at 60 percent of the ex-  
18                   pected market price of the commodity (as  
19                   determined by the Corporation); or

20                   “(ii) other coverage established by the  
21                   Corporation that is comparable to the cov-  
22                   erage described in clause (i).

23           “(B) REDUCTION IN ACTUAL PAYMENT.—

24           The amount paid to a producer on a claim  
25           under catastrophic risk protection may reflect a

1 reduction that is proportional to the out-of-  
2 pocket expenses that are not incurred by the  
3 producer as a result of not planting, growing,  
4 or harvesting the crop for which the claim is  
5 made, as determined by the Corporation.

6 “(3) YIELD AND LOSS BASIS.—Producers shall  
7 have the option of purchasing catastrophic risk pro-  
8 tection based on either an individual yield and loss  
9 basis or on an area yield and loss basis, as described  
10 in subsection (g), when both options are offered by  
11 the Corporation.

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

17 “(5) ADMINISTRATIVE FEE.—

18 “(A) FEE REQUIRED.—Producers shall  
19 pay an administrative fee for catastrophic risk  
20 protection. The administrative fee for each pro-  
21 ducer shall be \$50 per crop per county, but not  
22 to exceed \$200 per producer per county up to  
23 a maximum of \$600 per producer for all coun-  
24 ties in which a producer has insured crops. The  
25 administrative fee shall be paid by the producer

1 at the time the producer applies for cata-  
2 strophic risk protection.

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

6 “(C) USE OF FEES.—There are authorized  
7 to be appropriated from fees required under  
8 subparagraph (A) such sums as may be nec-  
9 essary for operating and administrative ex-  
10 penses incurred for the delivery of catastrophic  
11 risk protection.

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

1 percent or more of the total expected value of all  
2 crops grown by the producer.

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

8 “(8) AUTHORITY TO LIMIT CATASTROPHIC RISK  
9 PROTECTION.—The Board may limit the availability  
10 of catastrophic risk protection in any county or area,  
11 or on any farm, on the basis of the insurance risk  
12 involved.

13 “(9) TRANSITIONAL COVERAGE FOR 1995  
14 CROPS.—Effective only for the 1995 crops and for  
15 which the sales period for crop insurance expires be-  
16 fore the date of the enactment of the Federal Crop  
17 Insurance Reform Act of 1994, the Corporation  
18 shall allow producers of such crops until at least the  
19 end of the 6-month period beginning on such date  
20 to obtain catastrophic risk protection for such crops.  
21 Upon the enactment of such Act, producers who  
22 made timely purchases of a crop insurance policy be-  
23 fore the date of the enactment of such Act, under  
24 the provisions then in effect, shall be eligible for the  
25 same benefits to which a producer would be entitled

1 under comparable buy-up coverage under subsection  
2 (c).

3 “(c) COVERAGE LEVELS GREATER THAN CATA-  
4 STROPHIC RISK PROTECTION.—

5 “(1) BUY-UP COVERAGE GENERALLY.—The  
6 Corporation shall offer to producers of agricultural  
7 commodities grown in the United States plans of  
8 crop insurance providing levels of coverage greater  
9 than that available under catastrophic risk protec-  
10 tion under subsection (b). Plans of insurance under  
11 this subsection shall be known as ‘buy-up coverage’.  
12 Producers shall apply to private insurance providers  
13 approved by the Corporation for purchase of buy-up  
14 coverage if such coverage is available from private  
15 insurance providers. If buy-up coverage is unavail-  
16 able privately, the Corporation may offer buy-up cov-  
17 erage plans of insurance directly to producers. If a  
18 producer applies for catastrophic risk protection at  
19 an office of the Department of Agriculture but then  
20 elects to purchase buy-up coverage under this sub-  
21 section, the insurance file for that producer shall be  
22 transferred to the approved private insurance pro-  
23 vider servicing the buy-up coverage policy.

24 “(2) ADMINISTRATIVE FEE.—

1           “(A) FEE REQUIRED.—If a producer elects  
2           to purchase buy-up coverage for a crop at a  
3           level less than 65 percent of the recorded or ap-  
4           praised average yield indemnified at 100 per-  
5           cent of the expected market price, or an equiva-  
6           lent coverage, the producer shall pay an admin-  
7           istrative fee for such buy-up coverage. Sub-  
8           section (b)(5) shall apply in determining the  
9           amount and use of the administrative fee or in  
10          determining whether to waive the administra-  
11          tive fee.

12          “(B) EXCEPTION.—If a producer elects to  
13          purchase buy-up coverage for a crop equal to  
14          65 percent or more of the recorded or appraised  
15          average yield indemnified at 100 percent of the  
16          expected market price, or an equivalent cov-  
17          erage, the producer shall not be subject to the  
18          administrative fee required by this paragraph or  
19          subsection (b)(5). If the producer has already  
20          paid the administrative fee for a lower level of  
21          coverage for that crop, the administrative fee  
22          shall be refunded to the producer unless the re-  
23          fund would reduce to less than \$200 the total  
24          amount of the administrative fees paid by the  
25          producer for 2 or more crops in the same coun-

1           ty for which a lower level of coverage is ob-  
2           tained.

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

9           “(4) YIELD ELECTIONS.—Yield coverage shall  
10          be made available to the producer on the basis of  
11          any yield election that equals or is less than 85 per-  
12          cent of the individual yield or 95 percent of the area  
13          yield, as determined by the Corporation.

14          “(5) PRICE LEVELS.—

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

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

21                         “(ii) at the discretion of the Corpora-  
22                         tion, may be based on the actual market  
23                         price at the time of harvest, as determined  
24                         by the Corporation.

1           “(B) SPECIAL RULE FOR MALTING BAR-  
2 LEY.—For malting barley covered by a contract  
3 between a producer and a processor, the Cor-  
4 poration may offer a plan of insurance that al-  
5 lows the producer to select the contract price as  
6 the price election if—

7                   “(i) the contract is definite as to the  
8 quantity and the price;

9                   “(ii) the producer submits a copy of  
10 the contract with the application for insur-  
11 ance prior to the sales closing date for the  
12 crop;

13                   “(iii) coverage does not exceed the  
14 quantity contained in the contract;

15                   “(iv) the contracted quantity does not  
16 exceed the production guarantee;

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

19                   “(vi) the processor is completely inde-  
20 pendent from the producer; and

21                   “(vii) the processor does not have an  
22 insurable interest in the crop.

23           “(6) PRICE ELECTIONS.—Subject to paragraph  
24 (10), insurance coverage shall be made available to

1 the producer on the basis of any price election that  
2 equals or is less than that established by the Board.

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

6 “(8) REDUCTION IN ACTUAL PAYMENT.—The  
7 amount paid to a producer on a claim under buy-up  
8 coverage may reflect a reduction that is proportional  
9 to the out-of-pocket expenses that are not incurred  
10 by the producer as a result of not planting, growing,  
11 or harvesting the crop for which the claim is made,  
12 as determined by the Corporation.

13 “(9) FIRE AND HAIL COVERAGE.—For levels of  
14 buy-up coverage equal to 65 percent or more of the  
15 recorded or appraised average yield indemnified at  
16 100 percent of the expected market price, or an  
17 equivalent coverage, the producer may elect to delete  
18 from the buy-up coverage any coverage against dam-  
19 age caused by fire and hail if the producer obtains  
20 an equivalent or greater dollar amount of coverage  
21 for damage caused by fire and hail from a private  
22 insurance provider. Upon written notice of such elec-  
23 tion to the company issuing the policy providing  
24 buy-up coverage and submission of evidence of sub-  
25 stitute coverage on the commodity insured, the pro-

1       ducer’s premium shall be reduced by an amount de-  
2       termined by the Corporation to be actuarially appro-  
3       priate, taking into account the actuarial value of the  
4       remaining coverage provided by the Corporation. In  
5       no event shall the producer be given credit for an  
6       amount of premium determined to be greater than  
7       the actuarial value of the protection against losses  
8       caused by fire and hail that is included in the buy-  
9       up coverage for the crop.

10       “(10) LIMITATIONS ON BUY-UP COVERAGE.—

11       The Board may limit the availability of buy-up cov-  
12       erage under this subsection in any county or area,  
13       or on any farm, on the basis of the insurance risk  
14       involved. The Board shall not offer buy-up coverage  
15       equal to less than 50 percent of the recorded or ap-  
16       praised average yield indemnified at 100 percent of  
17       the expected market price, or an equivalent coverage.

18       “(d) PREMIUMS.—

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

24       “(2) PREMIUM AMOUNTS.—The premium  
25       amounts for catastrophic risk protection under sub-

1 section (b) and buy-up coverage under subsection (c)  
2 shall be fixed as follows:

3 “(A) In the case of catastrophic risk pro-  
4 tection, the amount of the premium shall be  
5 sufficient to cover anticipated losses and a rea-  
6 sonable reserve.

7 “(B) In the case of buy-up coverage below  
8 65 percent of the recorded or appraised average  
9 yield indemnified at 100 percent of the expected  
10 market price, or an equivalent coverage, but  
11 greater than 50 percent of the recorded or ap-  
12 praised average yield indemnified at 100 per-  
13 cent of the expected market price, or an equiva-  
14 lent coverage, the amount of the premium  
15 shall—

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

18 “(ii) include an amount for operating  
19 and administrative expenses, as determined  
20 by the Corporation, that is less than the  
21 amount established for coverage at 65 per-  
22 cent of the recorded or appraised average  
23 yield indemnified at 100 percent of the ex-  
24 pected market price, or an equivalent cov-  
25 erage.

1           “(C) In the case of buy-up coverage equal  
2           to or greater than 65 percent of the recorded  
3           or appraised average yield indemnified at 100  
4           percent of the expected market price, or an  
5           equivalent coverage, the amount of the premium  
6           shall—

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

9                   “(ii) include an amount for operating  
10                  and administrative expenses, as determined  
11                  by the Corporation, on an industry-wide  
12                  basis as a percent of the amount of the  
13                  premium used to define loss ratio under  
14                  section 502.

15           “(3) PREMIUM REDUCTION.—If a private insur-  
16           ance provider determines that it may provide insur-  
17           ance more efficiently than the expense reimburse-  
18           ment amount established by the Corporation, the  
19           private insurance provider may reduce, subject to  
20           the approval of the Corporation, the premium  
21           charged the insured by an amount corresponding to  
22           such efficiency. The private insurance provider shall  
23           apply to the Corporation for authority to reduce the  
24           premium before making such a reduction, and the

1 reduction shall be subject to the rules, limitations,  
2 and procedures established by the Corporation.

3 “(4) INDIVIDUAL AND AREA CROP INSURANCE  
4 COVERAGE.—The Corporation shall allow approved  
5 insurance providers to offer to producers a plan of  
6 insurance that combines both individual yield cov-  
7 erage and area yield coverage at a premium rate de-  
8 termined by the provider, subject to the following  
9 conditions:

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

13 “(B) The combined policy shall include  
14 area yield coverage that is offered by the Cor-  
15 poration or similar area coverage, as deter-  
16 mined by the Corporation.

17 “(C) The Corporation shall provide rein-  
18 surance on the area yield portion of the com-  
19 bined policy at the request of the provider, ex-  
20 cept that the provider shall agree to pay to the  
21 producer any portion of the area yield and loss  
22 indemnity payment received from the Corpora-  
23 tion or a commercial reinsurer that exceeds the  
24 individual indemnity payment made by the pro-  
25 vider to the producer.

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

3                   “(i) the amount authorized under sub-  
4 section (e)(2) (except provisions regarding  
5 operating and administrative expenses);  
6 and

7                   “(ii) the amount of operating and ad-  
8 ministrative expenses authorized by the  
9 Corporation for the area yield coverage  
10 portion of the combined policy.

11           “(E) The provider shall provide all under-  
12 writing services for the combined policy, includ-  
13 ing the determination of individual yield cov-  
14 erage premium rates, the terms and conditions  
15 of the policy, and the acceptance and classifica-  
16 tion of applicants into risk categories, subject to  
17 subparagraph (F).

18           “(F) The Corporation shall approve the  
19 combined policy unless the Corporation deter-  
20 mines that the policy is not actuarially sound or  
21 that the interests of producers are not ade-  
22 quately protected.”.

23           “(e) PAYMENT OF PORTION OF PREMIUM BY COR-  
24 PORATION.—

1           “(1) IN GENERAL.—For the purpose of encour-  
2           aging the broadest possible participation of produc-  
3           ers in the catastrophic risk protection provided  
4           under subsection (b) and the buy-up coverage pro-  
5           vided under subsection (c), the Corporation shall pay  
6           a part of the premium in the amounts provided in  
7           this subsection.

8           “(2) AMOUNT OF PAYMENT.—The amount of  
9           the premium to be paid by the Corporation shall be  
10          as follows:

11                 “(A) In the case of catastrophic risk pro-  
12                 tection, the amount shall be equivalent to the  
13                 premium established for catastrophic risk pro-  
14                 tection under subsection (d)(2)(A).

15                 “(B) In the case of coverage below 65 per-  
16                 cent of the recorded or appraised average yield  
17                 indemnified at 100 percent of the expected mar-  
18                 ket price, or an equivalent coverage, but greater  
19                 than 50 percent of the recorded or appraised  
20                 average yield indemnified at 100 percent of the  
21                 expected market price, or an equivalent cov-  
22                 erage, the amount shall be equivalent to the  
23                 amount of premium established for catastrophic  
24                 risk protection coverage and the amount of op-

1 erating and administrative expenses established  
2 under subsection (d)(2)(B).

3 “(C) In the case of coverage equal to or  
4 greater than 65 percent of the recorded or ap-  
5 praised average yield indemnified at 100 per-  
6 cent of the expected market price, or an equiva-  
7 lent coverage, on an individual or area basis,  
8 the amount shall be equivalent to an amount  
9 equal to the premium established for 50 percent  
10 loss in yield indemnified at 75 percent of the  
11 expected market price and the amount of oper-  
12 ating and administrative expenses established  
13 under subsection (d)(2)(C).

14 “(3) STATE SUBSIDY AUTHORIZED.—The  
15 Board may enter into agreements with any State or  
16 agency of a State under which the State or agency  
17 may pay to the approved insurance provider an addi-  
18 tional premium subsidy to further reduce the portion  
19 of the premium paid by producers in the State.

20 “(f) ELIGIBILITY REQUIREMENTS.—

21 “(1) PERSONS ELIGIBLE.—Except as otherwise  
22 provided in this title, no producer may be denied in-  
23 surance under this section if the producer meets the  
24 definition of person, as defined by the Secretary. In  
25 the case of plans of insurance under this title other

1 than catastrophic risk protection, the definition of  
2 person shall include a producer who is over 18 years  
3 of age or older and has a bona fide insurable inter-  
4 est in a crop as an owner, owner-operator, landlord,  
5 tenant, or sharecropper.

6 “(2) SALES CLOSING DATE.—A producer who  
7 desires to obtain catastrophic risk protection under  
8 subsection (b) or buy-up coverage under subsection  
9 (c) for a crop shall submit an application by the  
10 sales closing date for the crop. The Corporation  
11 shall establish sales closing dates to maximize con-  
12 venience to producers in obtaining benefits under  
13 commodity price support and production adjustment  
14 programs of the Department whenever feasible; ex-  
15 cept that, in establishing such dates, the Corporation  
16 shall ensure that the goal of actuarial soundness for  
17 the crop insurance program under this title is met.  
18 Beginning with the 1995 crop year, the Corporation  
19 shall establish for each insurable crop a sales closing  
20 date that is 30 days earlier than the corresponding  
21 sales closing date that was established for the 1994  
22 crop year.

23 “(3) RECORDS AND REPORTING.—To obtain  
24 catastrophic risk protection under subsection (b) or

1 buy-up coverage under subsection (c), a producer  
2 shall—

3 “(A) provide, to the extent required by the  
4 Corporation, records acceptable to the Corpora-  
5 tion of historical acreage and production of the  
6 crops for which the insurance is sought or ac-  
7 cept a yield determined by the Corporation; and

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

12 “(4) LIMITATION ON MULTIPLE BENEFITS FOR  
13 SAME LOSS.—If a producer who is eligible to receive  
14 benefits under catastrophic risk protection under  
15 subsection (b) or noninsured crop disaster assistance  
16 under section 519 is also eligible to receive assist-  
17 ance for the same loss under any other program ad-  
18 ministered by the Secretary, the producer shall be  
19 required to elect whether to receive benefits under  
20 this title or under such other program, but not both.  
21 A producer who purchases buy-up coverage under  
22 subsection (c) may also receive assistance for the  
23 same loss under other programs administered by the  
24 Secretary, except that the amount received for the  
25 loss under the buy-up coverage together with the

1 amount received under such other programs may not  
2 exceed the amount of the producer's actual loss.

3 “(g) YIELD COVERAGE DETERMINATIONS.—

4 “(1) IN GENERAL.—The Corporation shall im-  
5 plement crop insurance underwriting rules that en-  
6 sure that yield coverage, as specified in this sub-  
7 section, is provided to eligible producers obtaining  
8 catastrophic risk protection under subsection (b) or  
9 buy-up coverage under subsection (c).

10 “(2) INDIVIDUAL YIELD BASIS.—

11 “(A) ACTUAL PRODUCTION HISTORY.—The  
12 Corporation shall determine yield coverage  
13 using the producer's actual production history  
14 over a period of not less than the 4 previous  
15 consecutive crop years and not more than 10  
16 consecutive crop years. Subject to subparagraph  
17 (B), the yield for insurance purposes for the  
18 year for which insurance is sought shall be  
19 equal to the average of the producer's actual  
20 production history during the period considered.

21 “(B) ASSIGNMENT OF YIELD.—Except as  
22 provided in subparagraphs (C) and (D), if a  
23 producer does not submit adequate documenta-  
24 tion of production history to determine crop  
25 yield under subparagraph (A), the Corporation

1 shall assign to the producer a yield equal to not  
2 less than 65 percent of the transitional yield of  
3 the producer (adjusted to reflect actual produc-  
4 tion reflected in the records acceptable to the  
5 Corporation for continuous years), as specified  
6 in regulations issued by the Corporation based  
7 on production history requirements.

8 “(C) PILOT PROGRAM OF ASSIGNED  
9 YIELDS FOR NEW PRODUCERS.—

10 “(i) PROGRAM REQUIRED.—For each  
11 of the 1995 and 1996 crop years, the Cor-  
12 poration shall carry out a pilot program to  
13 assign to eligible new producers higher as-  
14 signed yields than would otherwise be as-  
15 signed to such producers under subpara-  
16 graph (B). The Corporation shall include  
17 in the pilot program 30 counties that are  
18 determined by the Corporation to be ade-  
19 quate to provide a comprehensive evalua-  
20 tion of the feasibility, effectiveness, and de-  
21 mand among new producers for increased  
22 assigned yields.

23 “(ii) INCREASED ASSIGNED YIELDS.—  
24 In the case of an eligible new producer  
25 participating in the pilot program, the Cor-

1           poration shall assign to the new producer  
2           a yield equal to not less than 110 percent  
3           of the transitional yield otherwise estab-  
4           lished by the Corporation.

5           “(iii) ELIGIBLE NEW PRODUCER.—  
6           The Secretary shall establish a definition  
7           of new producer for purposes of determin-  
8           ing eligibility to participate in the pilot  
9           program.

10          “(D) ALTERNATIVE ASSIGNED YIELDS FOR  
11          PRODUCERS OF FEED OR FORAGE.—

12          “(i) FEED OR FORAGE YIELDS.—For  
13          the first crop year for which an eligible  
14          producer described in clause (ii) obtains  
15          catastrophic risk protection under sub-  
16          section (b) or buy-up coverage under sub-  
17          section (c) for a feed or forage crop, the  
18          Corporation shall assign to the producer a  
19          yield equal to not less than 80 percent of  
20          the transitional yield established by the  
21          Corporation (adjusted to reflect the actual  
22          production history of the producer) if the  
23          producer does not provide satisfactory evi-  
24          dence of the yield under subparagraph (A).  
25          For not more than three additional years,

1 the Corporation shall provide the producer  
2 with a yield based on the greater of—

3 “(I) the producer’s actual pro-  
4 duction history for the preceding year  
5 (or years if available); and

6 “(II) the assigned yield deter-  
7 mined under this clause.

8 “(ii) ELIGIBLE PRODUCERS.—An eli-  
9 gible producer referred to in clause (i) is a  
10 producer that, as determined by the Sec-  
11 retary—

12 “(I) grows the insured feed or  
13 forage crop primarily for on-farm use  
14 in a livestock, dairy, or poultry oper-  
15 ation; and

16 “(II) derives over 50 percent of  
17 the producer’s gross farm income  
18 from the livestock, dairy, or poultry  
19 operation.

20 “(iii) TERMINATION OF AUTHORITY.—  
21 The authority provided by this subpara-  
22 graph shall apply only during the 1995  
23 through 1998 crop years.

24 “(3) AREA YIELD BASIS.—The Corporation may  
25 offer a crop insurance plan based on an area yield

1 that allows an insured producer to qualify for an in-  
2 demnity if a loss occurs in an area, as specified by  
3 the Corporation, in which the farm of the producer  
4 is located. Under an area yield plan, an insured pro-  
5 ducer shall be allowed to select the level of area pro-  
6 duction at which an indemnity will be paid consist-  
7 ent with the terms and conditions established by the  
8 Corporation.

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

13 (b) CONFORMING AMENDMENTS.—

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

17 (2) PREEMPTION.—Section 511 of such Act (7  
18 U.S.C. 1511) is amended by adding at the end the  
19 following sentence: “The Corporation’s contracts of  
20 insurance and the contracts of insurance reinsured  
21 by the Corporation shall be exempt from taxation  
22 imposed by any State, municipality, or local taxing  
23 authority.”.

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

1 **SEC. 7. PREPARATION OF POLICIES, CLAIMS, AND REIN-**  
2 **SURANCE.**

3 (a) SUBMISSION OF POLICIES.—Subsection (h) of  
4 section 508 of the Federal Crop Insurance Act (7 U.S.C.  
5 1508), as redesignated by section 6(a)(2), is amended—

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

8 (2) by striking paragraphs (2), (3), and (4) and  
9 inserting the following new paragraphs:

10 “(2) SUBMISSION OF POLICIES.—A policy or  
11 other material submitted to the Board under this  
12 subsection may be prepared without regard to the  
13 limitations contained in this title, including the re-  
14 quirements concerning the levels of coverage and  
15 rates and the requirement that a price level for each  
16 commodity insured must equal the expected market  
17 price for the commodity as established by the Board.  
18 In the case of such a policy, the payment by the  
19 Corporation of a portion of the premium of the pol-  
20 icy may not exceed the amount that would otherwise  
21 be authorized under subsection (e).

22 “(3) REVIEW AND APPROVAL BY THE BOARD.—  
23 A policy or other material submitted to the Board  
24 under this subsection shall be reviewed by the Board  
25 and, if the Board finds that the interests of produc-  
26 ers are adequately protected and that any premiums

1 charged to such producers are actuarially appro-  
2 priate, shall be approved by the Board for reinsur-  
3 ance and for sale to producers as an additional  
4 choice at actuarially appropriate rates and under ap-  
5 propriate terms and conditions. The Corporation  
6 may enter into more than one reinsurance agree-  
7 ment with the private insurance provider simulta-  
8 neously to facilitate the offering of such new policies.

9 “(4) GUIDELINES FOR SUBMISSION AND RE-  
10 VIEW.—The Corporation shall issue regulations to  
11 establish guidelines for the submission and Board  
12 review of policies or other material submitted to the  
13 Board under this subsection. At a minimum, the  
14 guidelines shall ensure the following:

15 “(A) Proposals submitted to the Board  
16 under this subsection shall be considered as  
17 confidential commercial or financial information  
18 for purposes of section 552(b)(4) of title 5,  
19 United States Code, until approved by the  
20 Board. Proposals disapproved by the Board  
21 shall remain confidential commercial or finan-  
22 cial information.

23 “(B) The Board shall provide an applicant  
24 with the opportunity to present the proposal to  
25 the Board in person if the applicant so desires.

1           “(C) The Board shall provide an applicant  
2           with notification of intent to disapprove a pro-  
3           posal not later than 30 days prior to taking  
4           such action. An applicant that receives such no-  
5           tification may modify such application, and  
6           such modification shall be considered an origi-  
7           nal application for purposes of this paragraph.

8           “(D) Specific guidelines shall deal with the  
9           timing of submission of proposals under this  
10          subsection and timely consideration by the  
11          Board so that any approved proposal may be  
12          made available to all persons reinsured by the  
13          Corporation in a manner permitting them to  
14          participate, if they so desire, in offering such a  
15          proposal in the first crop year in which it is ap-  
16          proved by the Board for reinsurance, premium  
17          subsidy, or other support offered by this title.

18          “(5) REQUIRED PUBLICATION.—Any policies,  
19          provisions of policies, and rates approved under this  
20          subsection shall be published as a notice in the Fed-  
21          eral Register and made available to all persons con-  
22          tracting with or reinsured by the Corporation under  
23          the same terms and conditions as between the Cor-  
24          poration and the person originally submitting the  
25          policy or other material.”.

1 (b) CLAIMS FOR LOSSES AND REINSURANCE.—Sec-  
2 tion 508 of the Federal Crop Insurance Act (7 U.S.C.  
3 1508) is further amended—

4 (1) by redesignating subsections (j) and (k) as  
5 subsections (l) and (m), respectively; and

6 (2) inserting after subsection (i), as redesignig-  
7 nated by section 6(a)(2), the following new sub-  
8 sections:

9 “(j) CLAIMS FOR LOSSES.—

10 “(1) IN GENERAL.—Under rules prescribed by  
11 the Corporation, the Corporation may provide for  
12 adjustment and payment of claims for losses. The  
13 rules prescribed by the Corporation shall establish  
14 standards to ensure that all claims for losses are ad-  
15 justed, to the extent practicable, in a uniform and  
16 timely manner.

17 “(2) DENIAL OF CLAIMS.—

18 “(A) IN GENERAL.—Subject to subpara-  
19 graph (B), if a claim for indemnity is denied by  
20 the Corporation, an action on the claim may be  
21 brought against the Corporation or Secretary  
22 only in the United States district court for the  
23 district in which the insured farm is located.

24 “(B) STATUTE OF LIMITATIONS.—A suit  
25 on the claim may be brought not later than 1

1           year after the date on which written notice of  
2           denial of the claim is provided to the claimant.

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

8           “(k) REINSURANCE.—Notwithstanding any other  
9           provision of this title, the Corporation shall, to the maxi-  
10          mum extent practicable, provide reinsurance to insurers  
11          approved by the Corporation that insure producers of any  
12          agricultural commodity under a plan or plans acceptable  
13          to the Corporation. Such reinsurance shall be provided  
14          upon such terms and conditions as the Board may deter-  
15          mine to be consistent with subsections (b) and (c) and  
16          sound reinsurance principles. The Corporation’s reinsur-  
17          ance agreements with the reinsured companies shall re-  
18          quire the reinsured companies to bear a sufficient share  
19          of any potential loss under such agreement so as to ensure  
20          that the reinsured company will sell and service policies  
21          of insurance in a sound and prudent manner, taking into  
22          consideration the financial condition of the reinsured com-  
23          panies and the availability of private reinsurance.”.

24          (c) CROSS REFERENCES.—

1           (1) CLAIMS FOR LOSSES.—Section 506(d) of  
2           the Federal Crop Insurance Act (7 U.S.C. 1506(d))  
3           is amended in the first sentence by striking “section  
4           508(f)” and inserting “section 508(j)”.

5           (2) SUBMISSION OF MATERIALS TO BOARD.—  
6           Section 507(c) of such Act (7 U.S.C. 1507(c)) is  
7           amended in the last sentence by striking “section  
8           508(b)” and inserting “section 508(h)”.

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

13 **SEC. 8. AUTHORIZATION OF APPROPRIATIONS AND CROP**  
14 **INSURANCE FUND.**

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

17 **“SEC. 516. FUNDING.**

18          “(a) AUTHORIZATION OF APPROPRIATIONS FOR COR-  
19 PORATION SALARIES AND AGENT COMMISSIONS.—There  
20 are hereby authorized to be appropriated such sums as  
21 are necessary to cover the salaries and administrative ex-  
22 penses of the Corporation and the administrative and op-  
23 erating expenses of the Corporation for the sales commis-  
24 sions of agents.

25          “(b) CROP INSURANCE FUND.—

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

6           “(2) AUTHORIZATION OF APPROPRIATIONS.—  
7           There are hereby authorized to be appropriated such  
8           sums as may be necessary to carry out the purposes  
9           of the insurance fund.

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

14               “(1) Beginning with the 1998 crop year, the  
15               administrative and operating expenses of approved  
16               insurance providers, other than expenses for which  
17               funds are authorized to be appropriated under sub-  
18               section (a).

19               “(2) All other expenses of the Corporation  
20               (other than expenses for which funds are authorized  
21               to be appropriated under subsection (a)), including  
22               all premium subsidies and indemnities.

23               “(3) For the 1995, 1996, and 1997 crop years,  
24               all administrative and expense reimbursements due

1 under a reinsurance agreement with an approved  
2 private insurance provider.

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

5 “(d) PURCHASE OF AMERICAN-MADE EQUIPMENT  
6 AND PRODUCTS.—

7 “(1) SENSE OF CONGRESS.—It is the sense of  
8 the Congress that, to the greatest extent practicable,  
9 all equipment and products purchased by the Cor-  
10 poration using funds made available to the Corpora-  
11 tion should be American-made.

12 “(2) NOTICE REQUIREMENT.—In providing fi-  
13 nancial assistance to, or entering into any contract  
14 with, any entity for the purchase of equipment and  
15 products to carry out this title, the Corporation, to  
16 the greatest extent practicable, shall provide to such  
17 entity a notice describing the statement made in  
18 paragraph (1) by the Congress.”.

19 **SEC. 9. ADVISORY COMMITTEE.**

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

1 **“SEC. 515. ADVISORY COMMITTEE FOR FEDERAL CROP IN-**  
2 **SURANCE.**

3 “(a) ESTABLISHMENT AND TERMINATION.—The  
4 Secretary may establish within the Department of Agri-  
5 culture an advisory committee to be known as the Advisory  
6 Committee for Federal Crop Insurance. If established, the  
7 Advisory Committee shall remain in existence until Sep-  
8 tember 30, 1998.

9 “(b) PRIMARY RESPONSIBILITY.—The primary re-  
10 sponsibility of the Advisory Committee shall be to advise  
11 the Secretary on the implementation of this title and on  
12 other issues related to crop insurance, as determined by  
13 the Manager.

14 “(c) MEMBERSHIP.—The Advisory Committee shall  
15 be composed of the Manager of the Corporation, the Sec-  
16 retary (or a designee of the Secretary), and not less than  
17 12 members representing organizations and agencies in-  
18 volved in the provision of crop insurance under this title.  
19 Not less than 3 of the members of the Advisory Committee  
20 shall be representatives of the specialty crops industry.  
21 The organizations or agencies represented by members on  
22 the Advisory Committee may include insurance companies,  
23 insurance agents, farm producer organizations, experts on  
24 agronomic practices, and banking and lending institutions.

25 “(d) ADMINISTRATIVE PROVISIONS.—

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

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

8           “(3) MEETINGS.—The Advisory Committee  
9           shall meet at least annually. The meetings of the  
10          Advisory Committee shall be publicly announced in  
11          advance and shall be open to the public. Appropriate  
12          records of the activities of the Advisory Committee  
13          shall be kept and made available to the public on re-  
14          quest.

15          “(e) REPORTS.—Not later than June 30 of each year,  
16          the Advisory Committee shall submit to the Secretary a  
17          report specifying its conclusions and recommendations re-  
18          garding—

19                 “(1) the progress toward implementation of the  
20                 provisions of this title;

21                 “(2) the actuarial soundness of the Federal  
22                 crop insurance program;

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

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

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

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

7 **“SEC. 519. NONINSURED CROP DISASTER ASSISTANCE PRO-**  
8 **GRAM.**

9           “(a) ESTABLISHMENT OF PROGRAM.—

10           “(1) ESTABLISHMENT.—In the case of an eligi-  
11 ble crop described in paragraph (2), the Corporation  
12 shall establish a noninsured crop disaster assistance  
13 program to provide coverage equivalent to the cata-  
14 strophic risk protection otherwise available under  
15 section 508(b).

16           “(2) ELIGIBLE CROPS.—

17           “(A) IN GENERAL.—For purposes of this  
18 section, the term ‘eligible crop’ means each  
19 commercial crop or other agricultural commod-  
20 ity (except livestock)—

21           “(i) for which catastrophic risk pro-  
22 tection under section 508(b) is not avail-  
23 able; and

24           “(ii) which is produced for food or  
25 fiber.

1           “(B) CROPS SPECIFICALLY INCLUDED.—

2           The term ‘eligible crop’ shall include floricultural,  
3           ornamental nursery, and Christmas tree  
4           crops and turfgrass sod.

5           “(3) CAUSE OF LOSS.—To qualify for assistance  
6           under this section, the losses of the noninsured  
7           commodity shall be due to drought, flood, or other  
8           natural disaster, as determined by the Secretary.

9           “(b) APPLICATION FOR NONINSURED CROP DISAS-  
10          TER ASSISTANCE.—

11           “(1) TIMELY APPLICATION.—To be eligible for  
12           assistance under this section, producers shall submit  
13           an application for noninsured crop disaster assistance  
14           at a local office of the Department of Agriculture.  
15           The application shall be in such form, contain such  
16           information, and be submitted at such time as the Corporation  
17           may require.

18           “(2) RECORDS AND REPORTS.—To obtain  
19           noninsured crop disaster assistance, a producer  
20           shall—

21           “(A) provide records acceptable to the Corporation  
22           of historical acreage and production of the eligible crops  
23           for which assistance is sought or accept a yield determined  
24           by the Corporation; and  
25           and

1           “(B) report acreage planted and prevented  
2           from planting by the designated acreage report-  
3           ing date for that crop and location as estab-  
4           lished by the Corporation.

5           “(3) EXCLUSIONS.—Noninsured crop disaster  
6           assistance under this section shall not cover losses  
7           due to—

8                   “(A) the neglect or malfeasance of the pro-  
9                   ducer;

10                   “(B) the failure of the producer to reseed  
11                   to the same crop in those areas and under such  
12                   circumstances where it is customary to reseed;  
13                   or

14                   “(C) the failure of the producer to follow  
15                   good farming practices, as determined by the  
16                   Corporation.

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

23                   “(A) if a majority of the person’s gross  
24                   revenue is received from farming, ranching, and  
25                   forestry operations, the gross revenue from the

1 person's farming, ranching, and forestry oper-  
2 ations; and

3 "(B) if less than a majority of the person's  
4 gross revenue is received from farming, ranch-  
5 ing, and forestry operations, the person's gross  
6 revenue from all sources.

7 "(c) LOSS REQUIREMENTS.—

8 "(1) REQUIRED AREA LOSS.—A producer of an  
9 eligible crop shall not receive noninsured crop disas-  
10 ter assistance unless the average yield for that crop,  
11 or an equivalent measure in the event yield data are  
12 not available, in an area falls below 65 percent of  
13 the expected area yield, as established by the Cor-  
14 poration.

15 "(2) PREVENTED PLANTING.—Subject to para-  
16 graph (1), the Corporation shall make a prevented  
17 planting noninsured crop disaster assistance pay-  
18 ment if the producer is prevented from planting  
19 more than 35 percent of the acreage intended for  
20 the eligible crop because of drought, flood, or other  
21 natural disaster, as determined by the Secretary.

22 "(3) REDUCED YIELDS.—Subject to paragraph  
23 (1), the Corporation shall make a reduced yield  
24 noninsured crop disaster assistance payment if the  
25 total quantity of the eligible crop that a producer is

1 able to harvest on any farm is, because of drought,  
2 flood, or other natural disaster as determined by the  
3 Secretary, less than 50 percent of the expected indi-  
4 vidual yield for the crop, as determined by the Cor-  
5 poration, factored for the producer's interest for the  
6 crop.

7 “(d) PAYMENTS.—

8 “(1) REDUCED YIELDS.—If the producer is eli-  
9 gible for reduced yield noninsured crop disaster as-  
10 sistance, payments shall be made for farm losses in  
11 excess of 50 percent of the established farm yield for  
12 the eligible crop indemnified at 60 percent of the av-  
13 erage market price for that crop, or a comparable  
14 coverage as determined by the Corporation. Any eli-  
15 gible crop that is produced with significant and vari-  
16 able, post-planting expenses, the payment shall be  
17 reduced to reflect reduced production costs and har-  
18 vesting costs if the crop is not harvested.

19 “(2) PREVENTED PLANTING.—If the producer  
20 is eligible for a prevented planting payment under  
21 this section, the amount paid to the producer on a  
22 claim under this section may reflect a reduction that  
23 is proportional to the out-of-pocket expenses that are  
24 not incurred by the producer as a result of not  
25 planting, growing, or harvesting the crop for which

1 the claim is made, as determined by the Corpora-  
2 tion.

3 “(e) YIELD DETERMINATIONS.—

4 “(1) ESTABLISHMENT.—The Corporation shall  
5 establish farm yields for purposes of providing  
6 noninsured crop disaster assistance under this sec-  
7 tion.

8 “(2) ACTUAL PRODUCTION HISTORY.—The Cor-  
9 poration shall determine yield coverage using the  
10 producer’s actual production history over a period of  
11 not less than the 4 previous consecutive crop years  
12 and not more than 10 consecutive crop years. Sub-  
13 ject to paragraph (3), the yield for the year in which  
14 noninsured crop disaster assistance is sought shall  
15 be equal to the average of the producer’s actual pro-  
16 duction history during the period considered.

17 “(3) ASSIGNMENT OF YIELD.—If a producer  
18 does not submit adequate documentation of produc-  
19 tion history to determine a crop yield under para-  
20 graph (2), the Corporation shall assign to the pro-  
21 ducer a yield equal to not less than 65 percent of  
22 the transitional yield of the producer (adjusted to re-  
23 flect actual production reflected in the records ac-  
24 ceptable to the Corporation for continuous years), as

1 specified in regulations issued by the Corporation  
2 based on production history requirements.

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

13 “(5) LIMITATION ON RECEIPT OF SUBSEQUENT  
14 ASSIGNED YIELD.—A producer who receives an as-  
15 signed yield for the current year of a natural disas-  
16 ter because required production records were not  
17 submitted to the local office of the Department shall  
18 not be eligible for an assigned yield for the year of  
19 the next natural disaster unless the required produc-  
20 tion records of the previous 1 or more years (as ap-  
21 plicable) are provided to the local office.

22 “(6) YIELD VARIATIONS DUE TO DIFFERENT  
23 FARMING PRACTICES.—The Corporation shall ensure  
24 that noninsured crop disaster assistance accurately  
25 reflects significant yield variations due to different

1 farming practices, such as between irrigated and  
2 nonirrigated acreage.

3 “(f) PAYMENT OF LOSSES.—Payments for  
4 noninsured crop disaster assistance losses under this sec-  
5 tion shall be made from the insurance fund established  
6 under section 516. Such losses shall not be included in  
7 calculating the premiums charged to producers for insur-  
8 ance under section 508.

9 “(g) PAYMENT LIMITATIONS.—The total amount of  
10 payments that a person shall be entitled to receive annu-  
11 ally under this section may not exceed \$100,000. For pur-  
12 poses of applying this limitation, the Secretary shall issue  
13 regulations defining the term ‘person’ that shall conform,  
14 to the extent practicable, to the regulations defining ‘per-  
15 son’ issued under section 1001 of the Food Security Act  
16 of 1985 (7 U.S.C. 1308).”.

17 (b) CONFORMING AMENDMENTS.—

18 (1) EXISTING EMERGENCY CROP LOSS ASSIST-  
19 ANCE PROGRAM.—Effective July 1, 1995, chapter 3  
20 of subtitle B of title XXII of the Food, Agriculture,  
21 Conservation, and Trade Act of 1990 (7 U.S.C.  
22 1421 note) is amended by striking subchapter A.

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

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

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

11 **SEC. 11. CROP INSURANCE REQUIREMENTS UNDER PRICE**  
12 **SUPPORT PROGRAMS.**

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

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

16 (2) by striking paragraph (2) and inserting in  
17 lieu thereof the following:

18 “(2) CROP INSURANCE REQUIREMENT.—As a  
19 condition of receiving any benefit (including pay-  
20 ments) under this section, a producer must obtain at  
21 least catastrophic risk protection insurance coverage  
22 under section 508(b) of the Federal Crop Insurance  
23 Act for the crop and crop year in which the benefit  
24 is sought, if such coverage is offered by the Federal  
25 Crop Insurance Corporation.”.

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

4 (1) by redesignating paragraph (16) as para-  
5 graph (17) and moving the margin 2 ems to the left;  
6 and

7 (2) by inserting after paragraph (15) the fol-  
8 lowing new paragraph:

9 “(16) CROP INSURANCE REQUIREMENT.—As a con-  
10 dition 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 (c) UPLAND COTTON.—Section 103B(c) of the Agri-  
17 cultural Act of 1949 (7 U.S.C. 1444–2(c)) is amended—

18 (1) by striking paragraph (1)(F); 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 (d) FEED GRAINS.—Section 105B(c) of the Agricul-  
5 tural Act of 1949 (7 U.S.C. 1444f(c)) is amended—

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

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

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

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

20 “(e) CROP INSURANCE REQUIREMENT.—As a condi-  
21 tion of receiving any benefit (including payments) under  
22 this section, a producer must obtain at least catastrophic  
23 risk protection insurance coverage under section 508(b)  
24 of the Federal Crop Insurance Act for the crop and crop

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

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

5 (1) by striking paragraph (1)(G); 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 (g) PEANUTS.—Section 108B of the Agricultural Act  
17 of 1949 (7 U.S.C. 1445c–3) is amended—

18 (1) by redesignating subsection (h) as sub-  
19 section (i); and

20 (2) by inserting after subsection (g) the follow-  
21 ing new subsection:

22 “(h) CROP INSURANCE REQUIREMENT.—As a condi-  
23 tion of receiving any benefit (including payments) under  
24 this section, a producer must obtain at least catastrophic  
25 risk protection insurance coverage under section 508(b)

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

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

6 (1) by redesignating subsection (n) as sub-  
7 section (o); and

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

10 “(n) 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 (i) SUGAR.—Section 206 of the Agricultural Act of  
18 1949 (7 U.S.C. 1446g) is amended—

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

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

23 “(j) 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 (j) HONEY.—Section 207 of the Agricultural Act of  
6 1949 (7 U.S.C. 1446h) 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 (k) DISASTER PAYMENTS.—Section 208 of the Agri-  
19 cultural Act of 1949 (7 U.S.C. 1446i) is repealed.

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

21 (a) MANAGEMENT OF CORPORATION.—Section 505  
22 of the Federal Crop Insurance Act (7 U.S.C. 1505) is  
23 amended—

24 (1) in subsection (a), by striking the third sen-  
25 tence and inserting “The Board shall be appointed

1 by, and hold office at the pleasure of, the Secretary.  
2 The Secretary shall not be a member of the Board.”;  
3 and

4 (2) in subsection (d)—

5 (A) by striking “upon him”; and

6 (B) by striking “He shall be appointed  
7 by,” and inserting “The manager shall be ap-  
8 pointed by,”.

9 (b) PERSONNEL.—Section 507 of such Act (7 U.S.C.  
10 1507) is amended—

11 (1) in subsection (a), by striking “as he may  
12 determine: *Provided, That*” and inserting “as the  
13 Secretary may determine appropriate. However,”;  
14 and

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

17 (c) INDEMNITIES EXEMPT FROM LEVY.—Section  
18 509 of such Act (7 U.S.C. 1509) is amended by striking  
19 “or his estate” and inserting “or the estate of the in-  
20 sured”.

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

22 (a) The General Accounting Office shall, within 2  
23 years of enactment, investigate the contractual relation-  
24 ships between the Federal Crop Insurance Corporation  
25 and approved insurance providers to determine the qual-

1 ity, costs and efficiency of the provision of multiperil crop  
2 insurance to producers of agricultural commodities cov-  
3 ered under the Federal Crop Insurance Act. The study  
4 shall be completed in two parts. The first, to be completed  
5 within one year of enactment, shall examine the currently  
6 available data to make the determinations required by this  
7 section. The second part shall examine the changes that  
8 occur because of expansion of the program as participation  
9 increases.

10 (b) This study shall include, but not be limited to,  
11 an investigation of providers' actual cost of delivery of  
12 multiperil crop insurance for which providers receive reim-  
13 bursement from the Corporation, cost differences for dif-  
14 ferent provider firm sizes, and changes in cost resulting  
15 from expansion of the program. The study shall also com-  
16 pare delivery costs of multiperil crop insurance to other  
17 insurance coverage that the provider may sell and identify  
18 any cross-subsidization from federally reimbursed delivery  
19 to delivery costs of other insurance coverage.

20 (c) The study shall assess, to the extent practicable,  
21 alternative methods of reimbursing delivery costs to pro-  
22 viders. In addition, the study shall identify unnecessary  
23 expenditure, if any, required by the Corporation for com-  
24 pliance and program integrity.

1 (d) In addition, the study shall include, but not be  
2 limited to, the provisions of the standard reinsurance  
3 agreement between the Corporation and approved provid-  
4 ers including the risk transferred to Corporation under the  
5 terms of the agreement, the return on providers' capital,  
6 a determination of the return on capital relative to dif-  
7 ferences in provider firm size, and a determination of the  
8 return on providers' capital in multiperil crop insurance  
9 relative to other insurance coverage.

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

14 (f) In conducting this study, the General Accounting  
15 Office shall maintain the privacy of provider proprietary  
16 information. The General Accounting Office shall have full  
17 powers to subpoena any required information from any  
18 provider firm.

19 **SEC. 14. EFFECTIVE DATE.**

20 Except as provided in section 10(b) and section 13,  
21 this Act and the amendments made by this Act shall take  
22 effect on the date of the enactment of this Act and shall  
23 apply to the provision of crop insurance under the Federal  
24 Crop Insurance Act (7 U.S.C. 1501 et seq.) beginning  
25 with the 1995 crop year. With respect to the 1994 crop

1 year, the Federal Crop Insurance Act (as in effect on the  
2 day before the date of the enactment of this Act) shall  
3 continue to apply.

Passed the House of Representatives August 4,  
1994.

Attest:

*Clerk.*

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

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**H. R. 4217**

**AN ACT**

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