2011 Explanatory Notes
Risk Management Agency

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RISK MANAGEMENT AGENCY

Purpose Statement

The Risk Management Agency (RMA) was established under provisions of the Federal Agriculture Improvement and Reform Act of 1996 (1996 Act), P.L. 104-127, approved April 4, 1996. This Act amended the Department of Agriculture Reorganization Act of 1994, P.L. 103-354, Title II, to require that the Secretary establish within the Department an independent office responsible for supervision of the Federal Crop Insurance Corporation (FCIC), administration and oversight of programs authorized under the Federal Crop Insurance Act (7 U.S.C. 1501 et seq.), including delivery of program services through local offices of the Department, any pilot or other programs involving revenue insurance, risk management savings accounts, or the use of the futures market to manage risk and support farm income that may be established under the Federal Crop Insurance Act, as amended, or other law, and such other programs as the Secretary considers appropriate.

Over the past six decades, Federal crop insurance has been the primary product provided by the FCIC/RMA and consists of various alternatives designed to improve the economic stability of agriculture. Recent legislative mandates have prompted significant program growth and the development of many large and complex new programs. RMA continuously strives to provide adequate risk protection for our Nation's agricultural producers and tries to identify and address concerns about Federal crop insurance.

RMA continues to evaluate risk management products, review and approve private sector products to be reinsured by FCIC, and ensure delivery of these products to agricultural producers. Risk management products can help producers protect themselves from yield risks, market risks, or both. Examples of more recent new and innovative insurance tools are revenue insurance, forage, rangeland, specialty crops, and livestock pilots. Education, outreach, and non-insurance risk management assistance initiatives and tools further contribute to the producers' ability to protect their financial stability. Through the effective use of these tools, agricultural producers will have available a cost-effective means of managing their risk in order to improve the economic stability of agriculture.

RMA estimates 568 FTEs for fiscal year (FY) 2011 and has staff at the Headquarters office in Washington, D.C., the National office in Kansas City, MO, 10 Regional Offices (ROs), and six Regional Compliance Offices (RCOs). As of September 30, 2009, RMA had 481 staff years with employees on board located throughout the Nation as follows: 73 at Headquarters in Washington, D.C., 174 at the National Office in Kansas City, MO, 151 in ROs, and 83 in RCOs.

Major RMA functional areas include: Program Management/Office of the Administrator (OA): OA consists of the following staff offices: Civil Right and Community Outreach, External Affairs, Office of the Chief Financial Officer, Office of the Chief Information Officer, and Program Support. Product Management (PM): PM consists of the following: Deputy Administrator's staff, Product Analysis and Accounting Division, Product Administration and Standards Division, and Actuarial and Product Design Division. Insurance Services Division (ISD): ISD consists of the following: Deputy Administrator's staff, Reinsurance Services Division, Risk Management Education Division, Risk Management Services Division, and 10 ROs located in the following cities: Billings, Montana; Jackson, Mississippi; Oklahoma City, Oklahoma; Raleigh, North Carolina; Davis, California; St. Paul, Minnesota; Spokane, Washington; Springfield, Illinois; Topeka, Kansas; and Valdosta, Georgia. Risk Compliance: Compliance consists of the following: Deputy Administrator's staff, Insurance Operations Division, Policy, Procedures and Evaluation Division, and six regional compliance offices at the following locations: Dallas, Texas; Indianapolis, Indiana; Kansas City, Missouri; Raleigh, North Carolina; Davis, California; and St. Paul, Minnesota.

Evaluation Division, and six regional compliance offices at the following locations: Dallas, Texas; Indianapolis, Indiana; Kansas City, Missouri; Raleigh, North Carolina; Davis, California; and St. Paul, Minnesota.

Office of Inspector General (OIG)/Government Accountability Office (GAO) Reports:

The following tables provide a list of RMA audits completed and in progress during FY 2009.

OIG/GAO AUDITS COMPLETED IN FISCAL YEAR 2009		
REPORT TITLE	**IDENTIFYING NUMBER**	**DATE ISSUED**
RMA Compliance Activities: The objective of this audit is to determine if compliance activities are adequate to improve program compliance and integrity, and to detect and reduce fraud, waste, and abuse.	05601-11-AT	9/16/09
Crop Insurance Industry Financial Arrangements and Administrative and Operating Costs: The objectives of this audit are to determine what are the financial arrangements between crop insurance companies and their sales agents; what are the financial arrangements between sales agents and producers; and what are agents' costs for selling crop insurance to producers, taking into consideration the different types and sizes of policies.	GAO-09-445	4/29/09
RMA 2005 Emergency Hurricane Relief Efforts in Florida: The objective of this audit is to evaluate the adequacy of RMA's management controls to ensure timely and proper processing and establishment of loss determinations and indemnity payments resulting from Hurricanes Katrina and Wilma in Florida.	05099-28-AT	3/04/09
RMA's Use of NASS County Average Yields for the Group Risk Protection Plans of Insurance: The objectives of this audit are to assess whether the processes used by NASS to establish county average yields provide accurate and reliable information, and whether the data collected to establish average yields for various crops and utilized by the USDA provide a sound basis for administering the affected programs, establishing program benefits and reporting production of commodities.	05601-4-KC	3/04/09
FCIC/RMA Financial Statements for Fiscal Years 2008 and 2007: The objective of this audit is to present the auditors' opinion on the Risk Management Agency and Federal Crop Insurance Corporation principal financial statements for the fiscal years ended September 30, 2008, and 2007.	05401-17-FM	11/06/08

OIG/GAO AUDITS IN PROGRESS DURING FISCAL YEAR 2009		
REPORT TITLE	**IDENTIFYING NUMBER**	**START DATE**
Validity of New Producer Designations: The objectives of this audit are to assess the effectiveness of RMA and AIP controls for granting "new producer" designations and ensuring the propriety of actual production history yield determination for these insureds and conduct data analysis and field visits to review relevant documentation maintained by the AIPs and Farm Service Agency county offices to determine whether any "new producer" status designations were improperly awarded.	05099-114-KC	1/05/09
Citrus Crop Indemnity Payments Resulting from Hurricane Wilma in Florida: The objectives of this audit are to assess the impact of RMA's emergency loss adjustment procedures for citrus fruit claims; RMA's oversight of the approved insurance providers' (AIP) underwriting of 2006 citrus crop insurance policies; RMA's oversight of the AIP's processing of loss adjustments and citrus indemnity claims for Hurricane Wilma damaged citrus crops; whether citrus producers provided the same acreage information to RMA that was provided to the Farm Service Agency (FSA); and whether citrus producers receiving RMA indemnity payments also received Animal and Plant Health Inspection Service's 2006 citrus canker payments.	05099-29-At	10/27/08
FCIC/RMA Financial Statements for Fiscal Years 2009 and 2008: The objective of this audit is to present the auditors' opinion on the Risk Management Agency and Federal Crop Insurance Corporation principal financial statements for the fiscal years ended September 30, 2009, and 2008.	05401-18-FM	5/01/08
Pasture, Rangeland, and Forage Pilot Program: The objectives of this audit are to determine whether RMA effectively implemented the PRF Pilot Program and the adequacy of RMA's controls in the PRF Pilot Program to minimize program losses and to ensure program integrity, including preventing producers from receiving improper indemnity payments for acres enrolled in FSA and NRCS programs.	50601-18-Te	3/24/08
RMA's Implementation of the Approved Insurance Providers' Appendix IV/Quality Control Reviews: The objective of this audit is to assess the effectiveness of RMA's oversight activities over the AIP's quality control reviews and of the AIPs implemented quality control review processes, as prescribed by the SRA, in preventing or detecting program abuse, waste, and improper payments.	05016-1-KC	10/17/07
Hurricane Indemnity Program – Integrity and Reliability of Data Provided by RMA: The objective of this audit is to evaluate the adequacy of RMA's management controls over changes in data provided to FSA for use in its HIP and FSA's controls to ensure proper payments and any collection of overpayments resulting from these changes.	50601-15-AT	6/18/07
Group Risk Crop Insurance: The objective of this audit is to evaluate the adequacy of the management controls over the group risk and group risk income protection plans to ensure that they are effectively administered and actuarially sound.	05601-14-TE	3/21/06

RISK MANAGEMENT AGENCY
FEDERAL CROP INSURANCE CORPORATION FUND

Available Funds and Staff Years
FY 2009 Actual and Estimated FY 2010 and FY 2011

Item	2009 Actual Amount	2009 Staff Years	2010 Estimated Amount	2010 Staff Years	2011 Estimated Amount	2011 Staff Years
Administrative & Operating (A&O) Expenses						
A&O Expense Appropriation	$76,828,000	481	$80,325,000	568	$83,064,000	568
Unobligated Balance	349,000	0	0	0	0	0
Total, A&O Expenses	77,177,000	481	80,325,000	568	83,064,000	568
Federal Crop Insurance Corporation (FCIC) Fund						
Premium Subsidy	5,498,209,000	0	4,211,255,000	0	5,465,853,000	0
Delivery Expenses	1,650,825,000	0	1,567,145,000	0	1,683,633,000	0
Underwriting Gains	1,277,290,000	0	1,167,759,000	0	1,204,771,000	0
Federal Crop Insurance Act Initiatives	74,500,000	0	74,500,000	0	74,500,000	0
Application of Carryover	-1,515,365,000	0	-446,050,000	0	-59,698,000	0
Excess Capital (FY Premium - FY Losses)	-218,796,000	0	-119,331,000	0	26,173,000	0
Projected Savings from Negotiations of SRA	0	0	0	0	-782,000,000	0
Total, FCIC Fund	6,766,663,000	0	6,455,278,000	0	7,613,232,000	0
Total, Risk Management Agency	6,843,840,000	481	6,535,603,000	568	7,696,296,000	568

RISK MANAGEMENT AGENCY

Permanent Positions by Grade and Staff Year Summary
2009 Actual and Estimated 2010 and 2011

Grade	2009 Wash. DC	2009 Field	2009 Total	2010 Wash. DC	2010 Field	2010 Total	2011 Wash. DC	2011 Field	2011 Total
Senior Executive Service	3	1	4	3	1	4	3	1	4
GS-15	11	7	18	12	7	19	12	7	19
GS-14	8	36	44	8	40	48	8	40	48
GS-13	27	134	161	30	155	185	30	155	185
GS-12	10	126	136	15	161	176	15	161	176
GS-11	2	35	37	2	28	30	2	28	30
GS-10	1	0	1	1	0	1	1	0	1
GS-9	1	16	17	1	28	29	1	28	29
GS-8	3	7	10	3	7	10	3	7	10
GS-7	4	22	26	5	28	33	5	28	33
GS-6	1	16	17	1	21	22	1	21	22
GS-5	1	5	6	1	4	5	1	4	5
GS-4	1	3	4	1	3	4	1	3	4
Other Graded Positions......	0	2	2	0	2	2	0	2	2
Ungraded Positions..............	0	0	0	0	0	0	0	0	0
Total Permanent Positions...........................	73	410	483	83	485	568	83	485	568
Unfilled Positions end-of-year........................	0	2	2	0	0	0	0	0	0
Total, Permanent Full-Time Employment, end-of-year..	73	408	481	83	485	568	83	485	568
Staff Year Estimate..............	73	408	481	83	485	568	83	485	568

Size, Composition, and Annual Cost
(in thousands of dollars)

	Number of Vehicles by Type*							Total Number of Vehicles	Annual Operating Cost ($ in thous) ***
Fiscal Year	Sedans and Station Wagons	Light Trucks, SUVs and Vans		Medium Duty Vehicles	Ambulances	Buses	Heavy Duty Vehicles		
		4X2	4X4						
FY 2008	1	0	2	2	0	0	0	5	$38
Change from 2008**	0	0	0	0	0	0	0	0	-1
FY 2009	1	0	2	2	0	0	0	5	37
Change from 2009	0	0	0	0	0	0	0	0	+1
FY 2010	1	0	2	2	0	0	0	5	38
Change from 2010	0	0	0	0	0	0	0	0	+1
FY 2011	1	0	2	2	0	0	0	5	39

NOTES:

* All of the vehicles listed are leased from the General Services Administration (GSA). These vehicles are assigned in the RMA field structure of the Regional and Compliance Field Offices. Each Regional and Compliance office is assigned a geographical area within the United States to perform monitoring and oversight of the crop insurance program. These vehicles are used to perform site visits of crops and/or inspections of crop losses. Also, they are used to attend conferences and meetings related to crop insurance issues. Since these vehicles are leased from GSA, RMA relies upon GSA to supply the Agency with alternative-fueled vehicles as required by law.

RISK MANAGEMENT AGENCY

The estimates include appropriation language for this item as follows:

Administrative and Operating Expenses:

For necessary expenses of the Risk Management Agency, [$80,325,000] $83,064,000: *Provided,* That the funds made available under section 522(e) of the Federal Crop Insurance Act (7 U.S.C. 1522(e)) may be used for the Common Information Management System: *Provided further,* That not to exceed $1,000 shall be available for official reception and representation expenses, as authorized by 7 U.S.C. 1506(i).

RISK MANAGEMENT AGENCY

LEAD-OFF TABULAR STATEMENT

ADMINISTRATIVE AND OPERATING EXPENSES

Appropriations Act, 2009		$80,325,000
Budget Estimate, 2010		83,064,000
Increase in Appropriation	+	2,739,000

SUMMARY OF INCREASES AND DECREASES
(On basis of appropriation)

Item of Change	2010 Estimated	Pay Costs	Program Changes	2011 Estimated
Administrative and Operating Expenses, Available	$80,325,000	$739,000	$2,000,000	$83,064,000
Total Available	80,325,000	739,000	2,000,000	83,064,000

Project Statement
(On basis of appropriation)

	2009 Actual		2010 Estimated		Increase or Decrease	2011 Estimated	
	Amount	Staff Years	Amount	Staff Years		Amount	Staff Years
1. Administrative and Operating Expenses	$76,827,932	481	$80,325,000	568	+ $2,739,000	$83,064,000	568
2. Unobligated Balance	349,068	0	0	0	0	0	0
Total Available or Estimate	77,177,000	481	80,325,000	568	+ 2,739,000	83,064,000	568
Total, Appropriation	77,177,000	481	80,325,000	568	2,739,000	83,064,000	568

RISK MANAGEMENT AGENCY

Justification of Increases and Decreases

(1) An increase of $2,739,000 for administrative and operating costs and activities directed at achieving the RMA mission, goal, and objectives ($80,325,000 available in FY 2010):

(a) An increase of $739,000 for pay costs of 568 staff years.

Funding for a pay related increase is necessary to maintain appropriate staffing to carry out the RMA mission, and mandated requirements. This funding is a critical component of our ability to provide support for a significantly growing program, including the development of many large and complex new risk management tools.

Sufficient salary and benefit funding for the RMA workforce is needed to accomplish Agency strategies such as: promoting additional, improved, or consolidated products; enhancing product delivery; providing educational opportunities; and reducing program and administrative inefficiencies.

(a) An increase of $2,000,000 to support RMA Information Technology (IT) initiatives:

This increase is requested to support RMA IT investments which directly support Secretary's Goal 1. Adequate funding will ensure that USDA assists rural communities in creating prosperity so they are self sustaining, repopulating and economically thriving.

Additional IT resources are critical for RMA to properly exchange data with private insurance partners, interface with industry companies and other government entities, confirm and assure optimal program performance, and develop, deliver, or monitor the risk management program. The Agency will be able to sustain its 24x7 operating environment and continue to support hardware, software and network upgrades.

RISK MANAGEMENT AGENCY
ADMINISTRATIVE AND OPERATING EXPENSES

GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF YEARS
2009 Actual and Estimated 2010 and 2011

	2009		2010		2011	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
California	$3,239,161	26	$3,386,602	34	$3,430,838	34
District of Columbia	18,163,138	73	18,989,891	83	19,097,879	83
Georgia	1,639,672	15	1,714,307	18	1,737,726	18
Illinois	1,578,928	16	1,650,798	21	1,678,120	21
Indiana	1,208,688	11	1,263,705	16	1,284,522	16
Kansas	1,817,564	16	1,900,296	20	1,926,317	20
Minnesota	3,470,813	29	3,628,798	39	3,679,539	39
Mississippi	1,612,991	14	1,686,411	17	1,708,529	17
Missouri	33,917,520	196	35,461,384	206	37,729,402	206
Montana	1,664,297	14	1,740,053	18	1,763,472	18
North Carolina	3,453,474	29	3,610,670	38	3,660,110	38
Oklahoma	1,751,994	14	1,831,742	20	1,857,763	20
Texas	1,533,500	13	1,603,302	18	1,626,721	18
Washington	1,776,192	15	1,857,041	20	1,883,062	20
Subtotal, Available or Estimate	76,827,932	481	80,325,000	568	83,064,000	568
Unobligated balance	349,068	0	0	0	0	0
Total, Available or Estimate	77,177,000	481	80,325,000	568	83,064,000	568

RISK MANAGEMENT AGENCY

Classification by Objects

2009 Actual and Estimated 2010 and 2011

ADMINISTRATIVE & OPERATING EXPENSES:		2009	2010	2011
Personnel Compensation:				
	Washington, D.C.	$7,542,443	$7,571,210	$7,683,366
	Field	34,493,699	35,954,790	36,581,634
11	Total Personnel Compensation	42,036,142	43,526,000	44,265,000
12	Personnel Benefits	10,261,108	11,380,000	11,380,000
13	Benefits for Former Personnel	0	0	0
	Total Pers. Comp. and Benefits	52,297,250	54,906,000	55,645,000
Other Objects:				
21	Travel and transportation of persons	1,907,980	1,918,000	1,918,000
22	Transportation of things	81,529	154,000	154,000
23.2	Rental payments to others	351,571	352,000	352,000
23.3	Communications, utilities, misc. charges	1,092,490	392,000	392,000
24	Printing and reproduction	91,718	99,000	99,000
25.1	Advisory and assistance services	8,122,261	9,599,000	9,599,000
25.3	Purchase of good and services from Government Accounts	9,221,027	10,789,000	10,789,000
25.4	Operation and maintenance of facilities	883,544	1,034,000	1,034,000
25.6	Medical care	233	0	0
25.7	Operation and maintenance of equipment	414,173	484,000	2,484,000
26	Supplies and materials	298,283	329,000	329,000
31	Equipment	1,513,761	194,000	194,000
42	Litigation fees/settlement-EEO	551,520	75,000	75,000
43	Interest	592	0	0
	Total other objects	24,530,682	25,419,000	27,419,000
	Unobligated Balance	349,068	0	0
Total direct A&O obligations		77,177,000	80,325,000	83,064,000
Position Data:				
	Average Salary, ES Positions	$161,992	$165,235	$167,714
	Average Salary, GS Positions	$86,796	$89,899	$91,247
	Average Grade, GS Positions	12.6	12.7	12.7

RISK MANAGEMENT AGENCY
ADMINISTRATIVE AND OPERATING EXPENSES

STATUS OF PROGRAM

Current Activities: The Federal Crop Insurance Corporation (FCIC) Board of Directors (Board) is composed of ten members, including agricultural producers, insurance and reinsurance experts, and senior USDA officials. This Board, either directly or through delegations to the Manager of the FCIC and Risk Management Agency (RMA), manages FCIC and the Federal Crop Insurance Fund. The Board receives, reviews, and approves policies and plans of insurance and other related materials for reinsurance, risk subsidy, and administrative and operating subsidy. The Board is authorized to reimburse outside entities for research, development, and maintenance costs. This provides an incentive for the development of new and innovative risk management products, to directly contract for the research and development of such products, and to fund crop insurance education programs. During FY 2009, the FCIC Board considered 61 action items during seven Board meetings. The action items included 20 expert reviews, 16 program modifications and 19 new program submissions. In 2009, pursuant to the Food, Conservation, and Energy Act of 2008 (2008 Farm Bill), the board began reviewing concept proposals for the new policies and plans for insurance.

Office of the Administrator (OA) activities include all management and administrative support functions of the RMA. This includes coordinating FCIC Board Meetings and administrative support services to all locations of RMA including information technology and other services. OA is responsible for developing agency strategic plans, performance plans, planning, coordinating, testing, and implementing emergency programs including contingency operations, pandemic influenza plans, coordination and response to homeland security efforts, developing Information Resource Management plans and policies as required by the Information Technology Management Reform Act of 1996 (ITMRA) and other legislation.

OA directs the establishment of RMA plans and policies relative to obtaining public participation in the rule-making process, with coordination of regulatory review requirements. Other activities include: coordinating and publishing regulations; serving public requests for information under the provisions of the Freedom of Information Act and protecting personal identifiable information in accordance with the Privacy Act; formulating RMA public information policies and programs within the framework of USDA's public affairs policy; directing public information activities through news releases, audiovisual products, articles, and speeches; answering correspondence; and producing public information on RMA activities and initiatives.

OA also provides policy-making recommendations that impact the often conflicting needs of agricultural producers, the crop insurance industry, insurance agents, and the FCIC. The office advises Congress regarding Administration policy positions and matters relating to constituent service issues; and serves as the focal point for all financial management activities with overall responsibility for planning, organizing, and directing RMA fiscal functions including budget, accounting, financial reporting and other related functions. OA formulates, recommends, administers and evaluates the Civil Rights and Equal Employment Opportunity programs and information technology functions of RMA.

Community outreach accomplishments in the partnership program include funding, administering and providing substantial involvement for 65 outreach projects, totaling over $7.1 million. In 2009, programs were aimed at providing women and limited resource farmers and ranchers with the information and training necessary to make informed decisions regarding the use of existing and emerging risk management tools. Through partnership agreements, a National Outreach Conference was sponsored entitled "Risk Management Strategies for Beginning and Small Farmers and Ranchers" to provide information to farmers and ranchers, and train them in the use of risk management tools.

Product Management (PM) key functions include policy administration, establishment of underwriting and loss adjustment criteria, calculation, and maintenance of premium rates, and determination of price election. In addition, the program area enters into contracts for research, development, pilot testing, and evaluation of new crop insurance programs and contracts for plans of insurance and risk management strategies, especially for specialty crops and underserved commodities in underserved states and areas. In 2009, to further program goals, 13 contracts for expansion of new crop insurance programs and risk management strategies were issued. These included development and evaluation projects to expand and improve the risk management opportunities for American producers. For instance, contracted research and development projects resulted in the development of new pilot crop insurance products for Quarantine coverage for citrus produced in California, an innovative revenue product for navel oranges, and new pilot programs soon to be implemented for sesame and strawberries. Other products in development include lawn seed insurance, while research is underway on the impact of climate change on the crop insurance program as a whole.

Multi-year partnerships for developing non-insurance risk management tools to help growers mitigate various risks inherent to farming and raising livestock, to evaluate and make recommendations for improvement of existing risk management programs, and to coordinate support for specialty crop programs are ongoing. Information regarding many of these partnership projects with private sector organizations, universities, and other USDA agencies are located on RMA's website at http://www.rma.usda.gov.

The PM function also includes accounting for RMA's program operation, financial analysis, and operations reviews of the insurance delivery system. They are responsible for developing federal regulations and establishing the crop insurance policies, premium rates, coverage provisions, transitional yield factors, and other appropriate insurance data for approximately 64,000 county-crop programs nationwide. The program area establishes reporting requirements for automated systems that receive and validate crop insurance sales, loss and acreage data from reinsured companies and other sources. The data is used for analysis, determination of rates, calculation, and payment of expense reimbursements and underwriting payments to reinsured companies, payment of claims, summaries of business and various other purposes. The Agency continues to review product proposals submitted under Section 508(h) of the Federal Crop Insurance Act.

Insurance Services activities include overseeing program delivery through reinsurance, underwriting and loss adjustment activities, and risk management education. Insurance Services develops and administers reinsurance agreements with private insurance providers; coordinates underwriting and loss adjustment activities, including appeals; and contributes to program development. In addition, a substantial risk management education program is carried out primarily through competitively selected partnership agreements.

RMA Insurance Services provides guidance on emerging issues involving claims and underwriting, and ensures consistent application of actuarially sound insurance principles. Key responsibilities include overseeing the administration of the Standard Reinsurance Agreement (SRA), the contract between the private insurance providers and RMA and approving insurance providers on an annual basis. RMA is in the initial stages of renegotiation of this contract for the 2011 reinsurance year.

RMA Insurance Services works with public and private partners to train farmers and ranchers in using risk management tools and strategies. This activity reached approximately 20,000 producers and provided approximately $6.4 million in federal funds during fiscal year 2009. This effort provides farmers with information and with educational opportunities to become more aware of risk, know the tools available to manage risk, and learn strategies for making sound risk management decisions. RMA continues to partner with the National Institute of Food and Agriculture (NIFA), the Commodity Futures Trading Commission, and the USDA National Office of Outreach to provide risk management education to U.S. farmers and ranchers.

Compliance activities include ensuring that funds expended by RMA for operation and delivery of risk management programs are spent in accordance with laws, rules, regulations, policies, procedures, and instructions to achieve the intended purpose. RMA performs this mission by conducting reviews of programs and activities; maintaining liaison with external audit and investigative agencies; and reviewing the activities of reinsured companies and others involved in the delivery of programs. The Agency also performs a significant number of additional reviews based on Office of Inspector General Hotline complaints, external audits and investigations, and complaints from other sources to gather evidence to support allegations of non-compliance with laws, regulations, or agreements. RMA works closely with the Farm Service Agency (FSA) field offices in the detection and monitoring of suspected waste, fraud, and abuse by using data mining to target anomalous insurance payments to producers.

Efforts continue to concentrate on the mission-critical task of evaluating and improving processes to prevent and deter waste, fraud and abuse, as well as building and adapting reporting, tracking, and feedback systems. In 2009, RMA completed fieldwork on the fifth round of national program review of companies. The plan calls for review of approximately one third of the participating Approved Insurance Providers (AIPs) each year in order to derive a program error rate every three years.

Selected Examples of Recent Progress:

Concept Proposals reflect the quick response by RMA to legislative mandates. The 2008 Farm Bill required that FCIC write procedures to provide an advance payment of up to 50 percent of reasonable research and development costs prior to submission and approval of a policy by the Board under section 508(h). Thirteen proposals have been submitted to the FCIC Board of Directors as of November 2009.

Policy Maintenance continues as a part of RMA's ongoing oversight of existing crop insurance programs. Proposed and final rules were issued that implemented changes and improvements to RMA's Northern and Southern Potato policies, Grape and Table Grape policies, and the Tobacco crop provisions. The changes ranged from providing more coverage choices and options for producers to tightening program provisions to mitigate opportunities for fraud, waste and abuse.

The Sanctions Rule amended the Administrative Remedies for Non-Compliance regulations which became effective January 20, 2009. This rule added additional administrative remedies and clarified existing administrative remedies to strengthen RMA's ability to combat fraud, waste and abuse by establishing a strong system of administrative actions that are now applicable to participants in the Federal crop insurance program.

Pack Factor Development is on track. RMA entered into a partnership with USDA's Agricultural Research Service (ARS) to develop pack factors to determine the mass of grain in storage from bin dimensions, test weights and other relevant variables. The pack factors, used in the loss adjustment process, will be developed for wheat, corn, soybeans, oats, barley, and grain sorghum. The first of the pack factors will be received from ARS in 2011 with the last pack factors due to be received in 2013.

Strategic Planning activities have started in order to revise the 2010-2015 USDA Strategic Plan, and RMA has organized a Strategic Planning Team to work with various program units. As part of this planning process, the team established objectives, performance measures and strategies to facilitate RMA meeting its goals. RMA has implemented an internal quarterly reporting process that keeps management aware of the progress that RMA is making to implement strategic objectives and accomplish performance measures.

A Clean Audit Opinion was received by RMA for fiscal years 2008 and 2009 and reported to the Office of Inspector General from independent auditors. This report contains an unqualified opinion on the financial statement as well as an assessment of RMA's internal controls over financial reporting and compliance with laws and regulations.

Federal Manager's Financial Integrity Act (FMFIA) Assurance provides systems, controls, and legal compliance to RMA management who is responsible for establishing and maintaining effective internal controls to ensure the effectiveness of operations, reliability of reporting, compliance with applicable laws, regulations and safeguarding assets. RMA has conducted its assessment of internal controls and financial systems pursuant to FMFIA. Based upon the results of this evaluation, RMA can provide reasonable assurance that the internal control over the effectiveness and efficiency of operations and compliance with laws and regulations, as of September 2009 was operating effectively with no material weaknesses found in the design or operation of the internal controls.

Improper Payment Rates reported in the 2009 Corrective Action Plan for the Federal crop insurance program were 5.8%. This 5.8% error rate represents the weighted average of indemnity errors identified in the 2005, 2006, and 2007 crop year policy samples. RMA has determined that the difference in error rates between crop years is consistent with the normal error distribution expected over time. The strategy for identifying and controlling the error rate includes identifying error trends and policy concerns and correcting them; however, no underlying policy or underwriting issues have been identified in the random samples to date.

RMA/National Association of Insurance Commissioners (NAIC) Collaborative Regulatory Efforts include loss adjuster licensing, federal/state rebating enforcement initiative, Conflict of Interest Disclosure Guidance, and Disaster Estimation and Reporting System.

Loss adjuster licensing guidance was provided by RMA during FY 2009. Presentations were given to industry officials regarding inconsistent state licensing requirements. A memorandum was issued outlining financial penalties assessed for violating the Standard Reinsurance Agreement (SRA) requirement that all loss adjusters must be licensed by the State if the State requires licensing.

RMA strengthened the Federal/State Rebating Enforcement Initiative. RMA and insurance commissioners from a number of key States issued a letter to AIPs announcing collaboration in the enforcement of State and Federal anti-rebating statutes. AIPs ensure that agents and loss adjusters are fully aware of the rebating prohibitions and stepped-up enforcement initiative prior to spring sales.

RMA Conflict of Interest Disclosure Guidance to the industry was reviewed during FY 2009. RMA received and reviewed industry comments.

The Disaster Estimation and Reporting System (DERS) was used during FY 2009 in an ad hoc manner. Although the current system is designed for hurricanes, DERS provides timely and accurate indemnity estimates, reports, and maps prior to, during, and after crop disasters to generate reports on disasters throughout the U.S.

RISK MANAGEMENT AGENCY

The estimates include appropriation language for this item as follows:

Federal Crop Insurance Corporation Fund:

For payments as authorized by section 516 of the Federal Crop Insurance Act (7 U.S.C. 1516), such sums as may be necessary, to remain available until expended.

RISK MANAGEMENT AGENCY

Lead-Off Tabular Statement

FEDERAL CROP INSURANCE CORPORATION FUND

Appropriations Act, 2010		$6,455,278,000
Budget Estimate, 2011		7,613,232,000
Increase in Appropriation	+	1,157,954,000

RISK MANAGEMENT AGENCY
FEDERAL CROP INSURANCE CORPORATION FUND

SUMMARY OF INCREASES AND DECREASES
(On basis of appropriation)

Item of Change	2010 Estimated	Pay Costs	Program Changes	2011 Estimated
Premium Subsidy	$4,211,255,000	0	$1,254,598,000	$5,465,853,000
Delivery Expenses	1,567,145,000	0	116,488,000	1,683,633,000
Underwriting Gains	1,167,759,000	0	37,012,000	1,204,771,000
Federal Crop Insurance Act Initiatives:	74,500,000	0	0	74,500,000
Application of Carryover	-446,050,000	0	386,352,000	-59,698,000
Excess Capital {FY Premium - FY Losses (Timing)}	-119,331,000	0	145,504,000	26,173,000
Projected Savings from Negotiations of SRA	0	0	-782,000,000	-782,000,000
Total Available	6,455,278,000	0	1,157,954,000	7,613,232,000

RISK MANAGEMENT AGENCY
FEDERAL CROP INSURANCE CORPORATION FUND

Project Statement
(On basis of appropriation)

	2009 Actual	2010 Estimated	Increase or Decrease	2011 Estimated
Premium Subsidy	$5,498,209,000	$4,211,255,000	$1,254,598,000	$5,465,853,000
Delivery Expenses	1,650,825,000	1,567,145,000	116,488,000	1,683,633,000
Underwriting Gains	1,277,290,000	1,167,759,000	37,012,000	1,204,771,000
Federal Crop Insurance Act Initiatives	74,500,000	74,500,000	0	74,500,000
Application of Carryover	-1,515,365,000	-446,050,000	386,352,000	-59,698,000
Excess Capital {FY Premium - FY Losses (Timing)}	-218,796,000	-119,331,000	145,504,000	26,173,000
Projected Savings from Negotiations of SRA	0	0	-782,000,000	-782,000,000
Total Available or Estimate	6,766,663,000	6,455,278,000	1,157,954,000	7,613,232,000

Project Statement
(On basis of available funds)

	2009 Actual	2010 Estimated	Increase or Decrease	2011 Estimated
1. Expenses:				
(a) Indemnities	$8,416,173,395	$7,669,250,000	$1,370,993,000	$9,040,243,000
(b) Delivery Expenses	1,601,806,914	1,567,145,000	116,488,000	1,683,633,000
(c) Federal Crop Insurance Act Initiatives:	53,370,563	74,500,000	0	74,500,000
(d) Underwriting Gains/Losses	1,962,597,319	1,167,759,000	37,012,000	1,204,771,000
(e) Projected Savings from Negotiations of SRA	0	0	-782,000,000	-782,000,000
Total, Expenses	12,033,948,191	10,478,654,000	742,493,000	11,221,147,000
2. Funds Available from Revenue and prior year balances				
(a) Producer Premium	-$4,143,256,120	-$3,513,245,000	-$34,972,000	-$3,548,217,000
(b) Administrative Fees	-67,713,789	-64,081,000	4,383,000	-59,698,000
(c) Unobligated Balance Brought Forward from Prior Year	-2,052,364,820	-996,050,000	446,050,000	-550,000,000
(d) Unobligated Balance Carried Forward to Next Year	996,049,538	550,000,000	0	550,000,000
Total, Funds from Revenue and Balances	-5,267,285,191	-4,023,376,000	415,461,000	-3,607,915,000
3. Total, Available Funds	6,766,663,000	6,455,278,000	1,157,954,000	7,613,232,000

Federal Crop Insurance Corporation

(1) A budget increase of $1,157,954,000 is estimated for the Federal Crop Insurance Corporation (FCIC) Fund, ($6,455,278,000 available in 2010).

(a) An increase of $1,254,598,000 is projected for premium subsidy.

Premium subsidy is primarily based on the result of participation changes. Program indicators suggest a modest increase in 2011 due to a slight projected escalation in commodity prices. Each year, approximately 1.3 million crop insurance policies are sold. The Federal government subsidizes premium on those policies. The requested $5.5 billion in premium subsidy is necessary to effectively provide producers higher levels of protection at more affordable prices.

(b) An increase of $116,488,000 is projected for delivery expenses.

A funding increase for delivery expenses, the amount of administrative and operating expense reimbursements provided to approved insurance providers, is projected because of an increase in estimated premium levels. These funds are for delivering risk management services and/or products, and are based on a percentage of estimated total premiums for each crop year. Recently enacted changes in the Farm Bill capped the reimbursement rate at 22.2 percent. For FY 2011, estimated total premium is projected at $8.6 billion. As a result, RMA anticipates delivery expenses of $1.7 billion. These funds will assure effective delivery of risk management products to the agricultural community through reinsured companies, a process to which the Department is committed.

(c) An increase of $37,012,000 is projected for underwriting gains.

Underwriting gains are the reinsured company's share of the net book premium when it exceeds its share of ultimate net indemnities. This amount correlates with the increase in indemnities, which in FY 2011 is projected to be $9.1 billion. For FY 2011, the estimated amount of underwriting gains is $1.2 billion.

(d) An increase of $386,352,000 to account for changes in carryover balances.

Carryover from FY 2009 to FY 2010 was $996.1 million. RMA applied $446.1 million of that in lieu of appropriations in FY 2010, maintaining their annual reserve of $550 million. There is not expected to be any carryover balances other than the $550 million reserve in 2011. Therefore, the difference is an increase of $388 million in application of carryover balances.

(e) An increase of $145,504,000 in capital required due to timing (FY Premium – FY Losses).

The total amount requested, $39.0 million, will fund the difference between expected fiscal year (FY) losses and total FY premium. Although the estimates are based on a 1.0 loss ratio for the crop year, the conversion to FY data creates an additional need in FY 2011. Approximately 65 percent of crop year 2010 losses will be paid in FY 2011. In addition, these funds will cover any underwriting gain due reinsured companies, less the amount of administrative fees collected from the producer. Without these funds, farmers experiencing crop/livestock losses would not receive full benefit for the projected $9.0 billion in indemnities to protect them from unavoidable causes such as weather, reduced prices, or reduced yields.

(f) A decrease of $782,000,000 in projected savings from negotiations of the Standard Reinsurance Agreement.

During 2010, USDA will be pursuing changes to the financial terms in the agreement it has with the companies, the Standard Reinsurance Agreement (SRA). The Administration wants to promote change in the crop insurance program through the SRA re-negotiation. There is currently excess subsidy in the program for the companies, and the government should be able to offer the same program at less cost through the changes to the SRA proposed by the Administration on December 4, 2009. The Budget assumes that the SRA proposal will save the government $8 Billion over 10 years.

RISK MANAGEMENT AGENCY
FEDERAL CROP INSURANCE CORPORATION FUND

Geographic Breakdown of Obligations
2009 Actual and Estimated 2010 and 2011

	2009	2010	2011
	Amount	Amount	Amount
Alabama	$186,492,020	$169,941,119	$200,320,633
Alaska	0	0	0
Arizona	10,189,770	9,285,443	10,945,354
Arkansas	67,675,455	61,669,355	72,693,673
California	211,485,796	192,716,733	227,167,728
Colorado	146,886,499	133,850,531	157,778,313
Connecticut	9,612,991	8,759,852	10,325,806
Delaware	59,408,283	54,135,882	63,813,480
Florida	77,480,705	70,604,403	83,225,995
Georgia	168,419,598	153,472,599	180,908,118
Hawaii	192,260	175,197	206,516
Idaho	69,982,573	63,771,719	75,171,866
Illinois	318,959,033	290,651,873	342,610,237
Indiana	222,060,086	202,352,570	238,526,115
Iowa	410,282,445	373,870,463	440,705,393
Kansas	856,132,956	780,152,376	919,616,267
Kentucky	149,962,656	136,653,684	161,082,571
Louisiana	47,872,694	43,624,061	51,422,513
Maine	8,843,951	8,059,063	9,499,741
Maryland	123,238,541	112,301,296	132,376,831
Massachusetts	6,536,834	5,956,699	7,021,548
Michigan	241,093,808	219,697,076	258,971,210
Minnesota	786,150,383	716,380,657	844,444,400
Mississippi	70,559,352	64,297,310	75,791,415
Missouri	123,623,061	112,651,690	132,789,863
Montana	202,257,325	184,307,276	217,254,955
Nebraska	368,369,805	335,677,510	395,684,879
Nevada	192,260	175,197	206,516
New Hampshire	1,345,819	1,226,379	1,445,613
New Jersey	6,921,353	6,307,093	7,434,580
New Mexico	9,612,991	8,759,852	10,325,806
New York	49,218,513	44,850,440	52,868,126
North Carolina	470,652,027	428,882,330	505,551,453
North Dakaota	725,396,281	661,018,395	779,185,308
Ohio	177,648,069	161,882,056	190,820,892
Oklahoma	331,840,440	302,390,074	356,446,817
Oregon	48,257,214	43,974,455	51,835,545
Pennsylvania	91,900,191	83,744,180	98,714,704
Rhode Island	0	0	0
South Carolina	112,664,252	102,665,460	121,018,444
South Dakota	548,324,992	499,661,930	588,983,964
Tennessee	166,881,519	152,071,022	179,255,989
Texas	287,620,683	262,094,757	308,948,110
Utah	2,499,378	2,277,561	2,684,710
Vermont	6,152,314	5,606,305	6,608,516
Virginia	160,344,686	146,114,323	172,234,441
Washington	66,521,896	60,618,172	71,454,576
West Virginia	7,113,613	6,482,290	7,641,096
Wisconsin	169,188,637	154,173,387	181,734,183
Wyoming	32,107,389	29,257,904	34,488,191
Puerto Rico	0	0	0
Subtotal, Indemnities a/	8,416,173,395	7,669,250,000	9,040,243,000
Undistributed b/	3,617,774,796	2,809,404,000	2,180,904,000
Total, Available or Estimate	12,033,948,191	10,478,654,000	11,221,147,000

a/ Due to the inability to predict the location of losses, it is impossible to accurately estimate a State cost distribution. These estimates are based on previous distribution.

b/ Undistributed includes, Delivery Expenses, FCIA costs, Interest, Underwriting Gains/(Losses) and other expenses that cannot be distributed by State.

RISK MANAGEMENT AGENCY

Classification by Objects

2009 Actual and Estimated 2010 and 2011

		2009	2010	2011
FCIC FUND:				
25	Delivery Expenses	$1,601,806,914	$1,567,145,000	$1,683,633,000
	FCIA costs	53,370,563	74,500,000	74,500,000
	Underwriting Gains/Losses	1,962,597,319	1,167,759,000	1,204,771,000
	Projected Savings from SRA Negotiations	0	0	-782,000,000
42	Indemnities	8,416,173,395	7,669,250,000	9,040,243,000
	TOTAL FCIC FUND OBLIGATIONS	12,033,948,191	10,478,654,000	11,221,147,000

RISK MANAGEMENT AGENCY
FEDERAL CROP INSURANCE CORPORATION FUND

STATUS OF PROGRAM

The Federal Crop Insurance Corporation (FCIC) is a wholly owned government corporation created February 16, 1938 (7 U.S.C. 1501.) The program was amended by Public Law (P.L.) 96-365, dated September 26, 1980, to provide for nationwide expansion of a comprehensive crop insurance plan. FCIC is administered by the Risk Management Agency (RMA), and promotes the national welfare by improving the economic stability of agriculture through a secure system of crop insurance.

Current Activities: There were over 1.1 million policies written in crop year 2009 with over $8.9 billion in premium, and indemnities projected at about $5.9 billion. Crop insurance is available for more than 350 different commodities in over 3,141 counties covering all 50 states, and Puerto Rico.

RMA continues to pursue initiatives to make higher levels of crop insurance protection more affordable and useful to producers, provide better protection to farmers experiencing multi-year losses, expand risk management education opportunities, stimulate development of new risk management products, and improve program integrity.

Pilot Programs are currently being implemented. RMA has 23 active pilot programs and 12 programs developed by private parties or persons submitted to FCIC under section 508(h) of the Federal Crop Insurance Act (FCIA). FCIC published proposed and final rules to convert the Cabbage pilot program to a permanent program. Proposed rules are being prepared for the Avocado (Florida), Forage Seed, and Processing Chili Pepper pilot programs to convert them to permanent programs.

Pasture, Rangeland, and Forage Pilot Programs reflect changes implemented by RMA to its pilot Group Risk Protection risk management programs for pasture, rangeland, and forage (PRF). Pilot programs that are based on vegetation greenness and rainfall indices were updated to better meet the needs of livestock producers who purchase insurance protection for losses of forage produced for grazing or harvested for hay, and were based on feedback RMA gained during the initial years of the pilot programs. In 2009, there were 15,369 vegetation and rainfall policies sold covering nearly 41 million acres of pasture, rangeland and forage. There was over $534 million in liability and almost $42 million in indemnities paid to livestock producers who purchased coverage.

New Privately Developed Programs were approved by the FCIC Board of directors. The privately submitted 508(h) products included Apiculture – Rainfall and Vegetation Index, Processing Pumpkins, Group Risk Plan for Oysters and Group Risk Plan for Sugarcane.

The Reinsurance Program included 17 approved insurance companies and the Commonwealth of Puerto Rico's plan of operations for the 2009 reinsurance year. In response to changes dictated by the 2008 Farm Bill, RMA developed and then issued a mandatory amendment to the Standard Reinsurance Agreement. Approved insurance providers were required to sign the amendment to be effective for the 2009 reinsurance year. Among the key changes included in the amendment were (a) reductions in the Administrative and Operating subsidies provided to approved insurance providers for delivering the crop insurance program; (b) a reduction in the CAT loss adjustment expense allocation; (c) a controlled business provision, which curtailed certain activities of some agents and policyholders to circumvent rebating prohibitions; and (d) the removal of references to the Premium Reduction Plan, which had been eliminated by the 2008 Farm Bill.

National Outreach Program initiatives were implemented to increase awareness and service to small and limited resource farmers and ranchers and other underserved groups and areas. Partnership agreements provided a venue for public and private agricultural organizations, land grant universities, community based organizations, farmers and ranchers and other stakeholders to identify, develop and promote successful risk management strategies that small and limited resource farmers and ranchers can utilize to remain economically viable in a rapidly changing agricultural environment. FCIC is also partnering with community-based organizations, 1862, 1890, 1994 land grant colleges and universities, and Hispanic Serving Institutions (HSIs) to provide technical program assistance and risk management education on strategies associated with legal, production, marketing, human resources, and labor risks. FCIC funded 65 projects in FY 2009 totaling more than $7.1 million to provide outreach and assistance to women, small limited resource farmers and ranchers.

Risk Management Education Programs focused on underserved states, specialty crop producers, and grants through the National Institute of Food and Agriculture (NIFA). Commodity partnership agreements, including small sessions, focused on specialty crops totaling $6.4 million and were executed with State Departments of Agriculture, universities, grower groups, non-profit organizations, and profit organizations. In addition, efforts continued with the Future Farmers of America organization to educate and encourage youth participation in the agriculture.

Program Compliance and Integrity activities, through combined efforts between RMA, FSA and the Approved Insurance Providers, continued to improve through: 1) data reconciliation and matching for disaster program payments; 2) evaluating and amending procedures for referring potential crop insurance errors or abuse between FSA and RMA; and 3) creating anti-fraud and loss adjustment training packages as required by FCIA. FCIC continued to improve efforts to integrate other data mining projects; explore avenues to expedite the processing of sanction requests; and implement the new Compliance Activities and Results System (CARS) for case management, tracking, and reporting compliance findings.

The formalized alliance with FSA, along with data mining and analysis, greatly improved referral activity to and from the Agency. This is attributable to the greater emphasis placed upon deterrence and prevention efforts.

Comprehensive Information Management System (CIMS) provides a single centralized storage for common producer reported information and creates efficient services to share information. CIMS facilitates reporting of program participation data leading to reduced reporting errors; data redundancy; storage/processing costs; fraud and abuse vulnerabilities; and improve overall program integrity.

The CIMS system is loaded weekly with over 500 million records of FCIC and FSA nationwide producer and crop acreage information for 2005 thru 2009. Approved USDA users can utilize 15 web applications to access available data. The CIMS process builds data marts of differences between FCIC and FSA producer reported data on entity/business type and crop acreage. These differences will be made available to the responsible program authority for reconciliation using current program authorities, processes, and procedures.

In 2009, CIMS greatly extended access and data availability. The Approved Insurance Providers (AIPs) were provided a computer interface to request geographical land, FCIC, and FSA information. By making this data available through automated means, AIPs are able to process claims quicker, strengthen program integrity with increased data validation, and facilitate information sharing by using common references.

IT Modernization Project (ITM) is reengineering and redesigning technology systems and processes to allow for easier addition of additional insurance products, provide more and better information to the producers and Approved Insurance Providers (AIPs) for policy determination and servicing, allowing for more robust actuarial analysis, and increased data analysis to support program integrity.

A two phased approach for the ITM project is being executed. Phase I includes all processes needed to implement rate and price development and filing of insurance offers, edit and validation of data submitted by approved insurance providers, and enhanced reporting capabilities. Phase I development will complete around June 2010 to support implementation of the Combination (COMBO) policy for the 2011 crop year. Phase II will include accounting, exception processes, and the remainder of the corporate reporting system, and is scheduled for production in 2011

RMA has strengthened information security to protect producer and corporate information. Significant security enhancements implemented include data encryption for all RMA laptops, more secure remote access into RMA networks, additional policies and security controls, and working with AIPs to protect critical information throughout the insurance process.

Selected Progress Examples:

Agricultural Management Assistance funds, in the amount of $6 million, were used, in part, to operate the 2009 Financial Assistance Program (FAP) for producers in sixteen targeted States. Specifically, the funding was used to provide financial assistance of $150 per eligible policy for producers purchasing crop insurance in 2009 in those States. The remaining balance of $2.5 million was used to further the missions of the Risk Management Education and Outreach Programs for RMA.

Standard Reinsurance Agreement (SRA) Negotiations are underway. RMA recently met with industry representatives and presented findings on company profitability. The Agency has received, reviewed, and considered recommendations and comments from the insurance industry, analyzed various Office of General Counsel (OGC) and Office of Inspector General (OIG) reports, and briefed Congress. RMA finalized and released the first draft of the 2011 SRA during the first week of December 2009. SRA negotiations are an iterative process of draft documents, explanatory meetings, comment periods and document revisions. The process must be completed by June 30, 2010 to be in effect for the 2011 reinsurance year beginning July 1, 2010.

Combined Policy (Combo) Regulations and Provisions are being amended. FCIC published a Proposed Rule in the Federal Register to amend the Common Crop Insurance Regulations, Basic Provisions, Small Grains Crop Insurance Provisions, Cotton Crop Insurance Provisions, Coarse Grains Crop Insurance Provisions, Malting Barley Crop Insurance Provisions, Rice Crop Insurance Provisions, and Canola and Rapeseed Crop Insurance Provisions to provide both revenue protection and yield protection. FCIC also proposed to amend the Common Crop Insurance Regulations, Basic Provisions to incorporate changes resulting from input and recommendations by the prevented planting work group. The final rule is expected to be published early in 2010 for implementation for the 2011 crop year. The amended provisions will replace the Crop Revenue Coverage (CRC), Income Protection (IP), Indexed Income Protection (IIP), and the Revenue Assurance (RA) plans of insurance.

When implemented, producers will have a choice of revenue protection (protection against loss of revenue caused by low prices, low yields, or a combination of both) or yield protection (protection for production losses only) within one Basic Provisions and the applicable Crop Provisions. This will reduce the amount of information producers must read to determine the best risk management tool for their operation and to improve the prevented planting and other provisions to better meet the needs of insured producers. This combined policy is expected to cover nearly $76 billion of the nearly $90 billion of FCIC's total liability and 94 percent (approximately one million policies) of all policies earning premium.

RISK MANAGEMENT AGENCY

Summary of Budget and Performance
Statement of Goals and Objectives

The primary responsibility of the Risk Management Agency (RMA) is to administer the Federal Crop Insurance Program in accordance with the Federal Crop Insurance Act (7 U.S.C. 1501 et seq.) as amended. The Risk Management Agency was established in 1996 by the United States Department of Agriculture (USDA) to improve the economic stability of agriculture through a sound system of crop insurance and to provide the means for the research and experience that is helpful in devising and establishing such insurance. The mission of the agency is to promote, support, and regulate sound risk management solutions to strengthen and preserve the economic stability of America's agricultural producers. RMA provides an actuarially sound risk management program that protects against agricultural production losses due to unavoidable causes such as drought, excessive moisture, hail, wind, hurricane, tornado, lightning, and insects. In addition to these causes, revenue insurance programs are available under which producers of certain crops are protected against loss of revenue stemming from low prices, poor yields, or a combination of both. Federal crop insurance is available to producers through private insurance companies that market and service policies and also share in the risk. Thus, the program delivery is a joint effort between the Federal government and the private insurance industry.

RMA has one strategic goal and four strategic objectives that directly support the achievement of USDA Priority Goal: USDA will assist rural communities to create wealth so they are self sustaining, repopulating and economically thriving; USDA Objective 2.3: Provide Risk Management and Financial Tools to Farmers and Ranchers.

USDA Priority Goal	Agency Strategic Goal	Agency Objectives	Programs that Contribute	Key Outcome
USDA will assist rural communities to create prosperity so they are self sustaining, repopulating and economically thriving.	**Goal:** Preserve and strengthen the economic stability of America's agricultural producers by promoting and supporting the use of sound risk management tools among farmers and ranchers.	<u>Objective 1.1</u>: Increase the availability and effectiveness of risk management solutions. <u>Objective 2.1:</u> Improve and protect the soundness, safety, efficiency and effectiveness of the risk management delivery system. <u>Objective 3.1:</u> Ensure customer and stakeholders have knowledge and awareness of risk management tools and products. <u>Objective 4.1:</u> Ensure effective oversight of the Crop Insurance industry and enhance deterrence and prosecution of fraud, waste, and abuse.	Federal Crop Insurance	<u>Key Outcome:</u> 1.1: Increase the normalized value of risk protection provided to agriculture producers through FCIC sponsored insurance ($Billions)

Key Outcome 1.1: Increase the normalized value of risk protection provided to agriculture producers through FCIC sponsored insurance ($Billions).

HPPG Measures: The three performance measures for Secretary's Priority Goal 1 are: (1) reduce rejection rate of policy records, (2) estimated total savings due to large claim reviews, and (3) total small and limited resources farmers and ranchers reached through outreach initiatives.

Long -Term Performance Measure: Increase the number of crop insurance or non-insurance risk management tools that address Pasture, Rangeland and Forage production needs.

Selected Past Accomplishments toward Achievement of the Key Outcome: In August of 2006, RMA announced two Pasture, Rangeland and Forage (PRF) programs at the Beef Cattle Short Course held at Texas A&M University. The PRF Vegetation Index Program and the PRF Rainfall Index Program have been piloted in select counties in nine States.

Selected Accomplishments Expected at the FY 2011 Proposed Resource Level: RMA is submitting an FY 2011 budget that addresses the need to modify the crop insurance program to create less reliance on disaster insurance includes support to provide viable insurance products and tools, maintain an effective delivery system, and support oversight of the crop insurance industry. This budget includes necessary staffing and information technology requirements to ensure the crop insurance program continues to be a primary system of support to producers when natural disasters strike.

Efficiency Measure: N/A

RISK MANAGEMENT AGENCY

Summary of Budget and Performance
Key Performance Outcomes and Measures

Discussion of Key Performance Proposals:

In FY 2011, RMA will continue its efforts to increase the availability and effectiveness of risk management solutions. RMA is currently in the process of soliciting for contracts for research and development of developing an insurance product for dedicated energy crops, poultry and apiculture, as well as a review of skip row cropping practices in keeping with the provisions of the Farm Bill. The FY 2011 budget request includes funding to support these activities. Also included are requests to support Information Technology (IT) Modernization, Architecture, Infrastructure, and Information Sharing. RMA proposes to enhance product delivery by promoting good farming practices. RMA will continue to strengthen program integrity and compliance. In order to meet the requirements of the Improper Payment Act, establish and update a program error rate, and better monitor the Federal crop insurance delivery system, RMA seeks to improve a system of recurring reviews of insurance provider operations, while at the same time continuing with other compliance initiatives to provide greater assurance in the integrity of the crop insurance delivery system. Additionally, RMA seeks to continue investing in data analysis tools of data mining, and remote sensing of crop insurance data that have proven to be extremely useful in detection of possible instances of fraud, waste, and abuse.

To enhance program delivery systems, decision-making, and performance budgeting capabilities, RMA proposes IT modernization that will update its information technology systems and create a more corporate style database and communication system to provide automated, timely, and complete data for decision making and information sharing while enhancing data security. Initiatives in the administrative infrastructure contribute significantly to supporting the Agency's mission and strategic goal and objectives. RMA also is integrating the Secretary's High Priority Goals and strategic/operational Performance Goals into its planning and management cycles. Attention to these elements will result in RMA usage of valuable resources to improve upon the agency conformity with Departmental guidelines and the OMB guidance.

Key Performance Targets

Performance Measure	2006 Actual	2007 Actual	2008 Actual	2009 Estimate	2010 Target	2011 Target
#1 – Increase the normalized value of FCIC risk protection coverage provided through FCIC sponsored insurance ($Billions)	$48.7B	$50.6B	$51.6B	$51.4B	$51.9B	$52.4B
Mandatory and discretionary funding associated with measure ($Billions)	$2.3B	$3.4B	$4.5B	$4.9B	$6.2B	7.3B
Discretionary IT Funding ($ Millions)	$15.1M	$19.6M	$17.1M	$13.7M	$13.7M	18.6 M

Performance Measure	2006 Actual	2007 Actual	2008 Actual	2009 Estimate	2010 Target	2011 Target
#2 – The number of crop insurance or non-insurance risk management tools which address pasture, rangeland and forage production needs	2	3	5	5	5	5
Mandatory and discretionary funding associated with measure	$0.8M	$0.8K	$1.5M	$1.8M	$1.8M	$1.4M
#3 – The number of pilot programs evaluated for potential conversion from pilot program to permanent program status	4	4	3	2	2	2
Mandatory and discretionary funding associated with measure ($Millions)	$3.0M	$3.0M	$3.0M	$4.0M	$3.0M	$0.2M
#4 – Crop Insurance participation rate for the ten staple crops	79.5%	77.0%	79.8%	80.5%	81.0%	81.5%
Mandatory and discretionary funding associated with measure	$2,926/$1B In liability	$2,713/$1B In liability	$2,521/$1B in liability	$2,390/$1B in liability	$1,549/$1B in liability	$1,470/$1B in liability
#5 – The number of producers reached through Commodity Partnership and Targeted States Cooperative Agreements	48,000	48,720	49,451	25,000	50,193	57,000
Mandatory and discretionary funding associated with measure ($Millions)	$15.0M	$14.0M	$14.0M	$15.0M	$15.0M	$15.3M

Performance Measure	2006 Actual	2007 Actual	2008 Actual	2009 Estimate	2010 Target	2011 Target
#6 – The number of operational reviews conducted of insurance companies receiving funding through FCIC	7	5	6	5	6	6
Mandatory and discretionary funding associated with measure	$97.0K	$62.0K	$90.0K	$85.0K	$111.4K	$116.0K
#7 – The number of program reviews of insurance providers receiving funding through FCIC	1	5	6	6	6	6
Mandatory and discretionary funding associated with measure ($Millions)	$3.0M	$1.4M	$1.7M	$1.7M	$1.8M	$1.9M

Performance Measure	2006 Actual	2007 Actual	2008 Actual	2009 Estimate	2010 Target	2011 Target
#1 - Reduce rejection rate of policy records a. Units b. Dollars	Not Available	Not Available	Not Available	Not Available	6%	6%
#2 – Estimated total savings due to large claim reviews a. Units b. Dollars	Not Available	Not Available	Not Available	Not Available	$16.8	$16.8
#3 – Total small and limited resources farmers and ranchers reached through outreach initiatives a. Units b. Dollars	Not Available	Not Available	Not Available	Not Available	50,000	75,000

RISK MANAGEMENT AGENCY
Summary of Budget and Performance
Full Cost By Department Strategic Goal

Department Strategic Goal: USDA will assist rural communities to create prosperity so they are self sustaining and economically thriving.

PROGRAM	PROGRAM ITEMS	FY 2009 AMOUNT ($000)	FY 2010 AMOUNT ($000)	FY 2011 AMOUNT ($000)
Federal Crop Insurance Corporation Fund				
	Agricultural Risk Protection Act Initiatives	47,371	68,500	68,500
	Premium Program	8,416,173	7,669,250	9,040,243
	A&O Expenses/Delivery Expenses	1,601,807	1,567,145	1,683,633
	Risk Management Assistance Program	6,000	6,000	6,000
	Excess Crop Losses	1,962,597	1,167,759	1,204,771
	Projected Savings from Negotiations of SRA	-	-	-782,000
	Total Costs	12,033,948	10,478,654	11,221,147
Administrative and Operating Expenses				
	Administrative Costs (direct)	63,606	66,754	67,493
	Information Technology	13,571	13,571	15,571
	Total Costs	77,177	80,325	83,064
	FTEs	481	568	568
	Performance measure: Increase the normalized value of FCIC risk protection coverage provided through FCIC sponsored insurance (in billions)			
	BY Performance	$53.7	$54.8	$50.7
	Cost per measure (unit cost)	N/A	N/A	N/A
	Total for Department Strategic Goal 1			
Total Costs for Department Strategic Goal		**12,111,125**	**10,558,979**	**11,304,211**
	FTEs	**481**	**568**	**568**