

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

# S. 2092

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

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IN THE SENATE OF THE UNITED STATES

MAY 10 (legislative day, MAY 2), 1994

Mr. HEFLIN introduced the following bill; which was read twice and referred to the Committee on Agriculture, Nutrition, and Forestry

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## A BILL

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; REFERENCES.**

4 (a) SHORT TITLE.—This Act may be cited as the  
5 “The Farmers’ Risk Management Act of 1994”.

6 (b) REFERENCES TO FEDERAL CROP INSURANCE  
7 ACT.—Except as otherwise expressly provided, whenever  
8 in this Act an amendment or repeal is expressed in terms  
9 of an amendment to, or repeal of, a section or other provi-  
10 sion, the reference shall be considered to be made to a

1 section or other provision of the Federal Crop Insurance  
2 Act (7 U.S.C. 1501 et seq.).

3 **SEC. 2. CROP INSURANCE AMENDMENTS.**

4 (a) MANAGEMENT OF CORPORATION.—The second  
5 sentence of section 505(a) (7 U.S.C. 1505(a)) is amend-  
6 ed—

7 (1) by striking “program, the Under Secretary”  
8 and inserting “program, 1 additional Under Sec-  
9 retary”; and

10 (2) by striking “responsible for the farm credit  
11 programs of the Department of Agriculture” and in-  
12 serting “, as designated by the Secretary of Agri-  
13 culture (referred to in this title as the ‘Secretary’)”.

14 (b) GENERAL POWERS.—Section 506 (7 U.S.C.  
15 1506) is amended—

16 (1) by redesignating subsections (j) through (n)  
17 as subsections (k) through (o), respectively;

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

20 “(j) SETTLING CLAIMS.—The Corporation shall have  
21 the authority to make final and conclusive settlement and  
22 adjustment of any claim by or against the Corporation or  
23 a fiscal officer of the Corporation.”;

24 (3) in subsection (l) (as so redesignated)—

1 (A) in the first sentence, by inserting “,  
2 and issue regulations,” after “agreements”; and

3 (B) in the second sentence, by striking  
4 “contracts or agreements” each place it appears  
5 and inserting “contracts, agreements, or regula-  
6 tions”;

7 (4) in subsection (n)(1) (as so redesignated), by  
8 striking subparagraph (B) and inserting the follow-  
9 ing new subparagraph:

10 “(B) disqualify the person from purchasing  
11 catastrophic risk protection or receiving  
12 noninsured assistance for a period of not to ex-  
13 ceed 2 years, or from receiving any other bene-  
14 fit under this title for a period of not to exceed  
15 10 years.”;

16 (5) in subsection (o)(1) (as so redesignated), by  
17 striking “from obtaining adequate Federal crop in-  
18 surance, as determined by the Corporation” and in-  
19 serting “(as defined by the Secretary) from obtain-  
20 ing Federal crop insurance”; and

21 (6) by adding at the end the following new sub-  
22 section:

23 “(p) REGULATIONS.—The Secretary and the Cor-  
24 poration are each authorized to issue such regulations as  
25 are necessary to carry out this title.”.

1 (c) PERSONNEL.—Section 507 (7 U.S.C. 1507) is  
2 amended—

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

5 (2) in subsection (c), by striking “, in which  
6 case the agent or broker” and all that follows  
7 through “the agent or broker has caused the error  
8 or omission”; and

9 (3) in subsection (d), by striking “of this Act,”  
10 and all that follows through “agency”.

11 (d) CROP INSURANCE.—Section 508 (7 U.S.C. 1508)  
12 is amended—

13 (1) by striking subsection (a) and inserting the  
14 following new subsection:

15 “(a) AUTHORITY TO OFFER INSURANCE.—

16 “(1) IN GENERAL.—If sufficient actuarial data  
17 are available (as determined by the Board), the Cor-  
18 poration may insure, or provide reinsurance for in-  
19 surers of, producers of agricultural commodities  
20 grown in the United States under 1 or more plans  
21 of insurance determined by the Board to be adapted  
22 to the agricultural commodity concerned. To qualify  
23 for coverage under a plan of insurance, the losses of  
24 the insured commodity shall be due to drought,

1 flood, or other natural disaster (as determined by  
2 the Secretary).

3 “(2) PERIOD.—Except in the case of tobacco,  
4 insurance shall not extend beyond the period during  
5 which the insured commodity is in the field. As used  
6 in the preceding 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 subsection shall not cover losses due to—

11 “(A) the neglect or malfeasance of the pro-  
12 ducer;

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

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

20 (2) by striking subsections (c), (e), (g), (l), and  
21 (n);

22 (3) by redesignating subsections (b), (d), (f),  
23 (h), (i), (j), (k), and (m) as subsections (g) through  
24 (n), respectively;

1 (4) by inserting after subsection (a) the follow-  
2 ing new subsections:

3 “(b) CATASTROPHIC RISK PROTECTION.—

4 “(1) IN GENERAL.—The Corporation shall offer  
5 a catastrophic risk protection plan to indemnify pro-  
6 ducers for crop loss due to loss of yield and pre-  
7 vented planting when the producer is unable, be-  
8 cause of drought, flood, or other natural disaster (as  
9 determined by the Secretary), to plant other crops  
10 for harvest on the acreage for the crop year.

11 “(2) AMOUNT OF COVERAGE.—Catastrophic  
12 risk protection shall offer a producer 50 percent loss  
13 in yield coverage, on an individual yield or area yield  
14 basis, indemnified at 60 percent of the expected  
15 market price, or a comparable coverage (as deter-  
16 mined by the Corporation).

17 “(3) YIELD AND LOSS BASIS.—A producer shall  
18 have the option of basing the catastrophic coverage  
19 of the producer on an individual yield and loss basis  
20 or on an area yield and loss basis, if both options  
21 are offered by the Corporation.

22 “(4) ADMINISTRATIVE FEE.—

23 “(A) IN GENERAL.—As a condition of cat-  
24 astrophic risk protection, a producer shall pay  
25 an administrative fee. The administrative fee

1 shall be \$50 per crop per county, but not to ex-  
2 ceed \$100 per producer per county. The admin-  
3 istrative fee shall be paid at the service point,  
4 at the local office of the United States Depart-  
5 ment of Agriculture (referred to in this title as  
6 the ‘Department’), or to the approved private  
7 insurance provider, at the time of application.

8 “(B) FEE WAIVERS.—The administrative  
9 fee shall be waived—

10 “(i) for farmers of limited resources  
11 (as defined by the Corporation); or

12 “(ii) if the producer elects to purchase  
13 additional protection at 65 percent or more  
14 of the recorded or appraised average yield  
15 and 100 percent of the expected market  
16 price, or an equivalent coverage, offered by  
17 an approved crop insurance provider.

18 “(C) USE OF FEES COLLECTED.—Funds  
19 collected as administrative fees shall be avail-  
20 able, subject to appropriations, for salaries and  
21 expenses of the Corporation.

22 “(5) PARTICIPATION REQUIREMENT.—A pro-  
23 ducer may obtain a catastrophic risk coverage plan  
24 for a crop of the producer on land in the county only  
25 if the producer obtains such a plan for the crop of

1 the producer on all insurable land of the producer in  
2 the county.

3 “(6) ELIGIBILITY FOR DEPARTMENT PRO-  
4 GRAMS.—

5 “(A) IN GENERAL.—To be eligible for any  
6 price support, production adjustment, or con-  
7 servation program administered by the Sec-  
8 retary for any crop, or for loans under any pro-  
9 gram of the Farmers Home Administration or  
10 any successor agency, the producer must obtain  
11 at least the catastrophic level of insurance for  
12 each crop of economic significance grown on  
13 each farm in the county in which the producer  
14 has an interest, if insurance is available in the  
15 county for the crop.

16 “(B) DEFINITION.—As used in this para-  
17 graph, the term ‘crop of economic significance’  
18 means a crop that has contributed, or is ex-  
19 pected to contribute, 10 percent or more of the  
20 total expected value of all crops grown by the  
21 producer.

22 “(7) LIMITATION DUE TO RISK.—The Board  
23 may limit insurance in any county or area, or on any  
24 farm, on the basis of the insurance risk concerned.

25 “(c) GENERAL COVERAGE LEVELS.—

1           “(1) IN GENERAL.—The Corporation shall offer  
2 plans of insurance that provide levels of coverage  
3 that are greater than the level available under cata-  
4 strophic risk protection under subsection (b). A pro-  
5 ducer may purchase such a plan only from an ap-  
6 proved private insurance provider, if the private in-  
7 surance is available. Nothing in this paragraph re-  
8 stricts the Corporation from offering insurance plans  
9 if coverage from private insurance providers is un-  
10 available.

11           “(2) TRANSFER OF INSURANCE FILES.—If a  
12 producer has already applied for catastrophic risk  
13 protection at the local office of the Department and  
14 elects to purchase additional coverage—

15           “(A) the insurance file for the producer  
16 shall be transferred to the approved private in-  
17 surance provider servicing the additional cov-  
18 erage policy; and

19           “(B) the administrative fee for the crop for  
20 which additional coverage at 65 percent or more  
21 of the recorded or appraised average yield and  
22 100 percent of the expected market price, or an  
23 equivalent coverage, is obtained shall be re-  
24 funded to the producer.

1           “(3) YIELD AND LOSS BASIS.—A producer shall  
2           have the option of purchasing additional coverage  
3           based on an individual yield and loss basis or on an  
4           area yield and loss basis, if both options are offered  
5           by the Corporation.

6           “(4) LEVEL OF COVERAGE.—The level of cov-  
7           erage shall be dollar denominated and may be pur-  
8           chased at any level not to exceed 85 percent of the  
9           individual yield or 95 percent of the area yield (as  
10          determined by the Corporation).

11          “(5) PRICE LEVEL.—The Corporation shall es-  
12          tablish a price level for each commodity on which in-  
13          surance is offered that—

14                 “(A) shall not be less than the projected  
15                 market price for the commodity (as determined  
16                 by the Corporation); or

17                 “(B) at the discretion of the Corporation,  
18                 may be based on the actual market price at the  
19                 time of harvest (as determined by the Corpora-  
20                 tion).

21          “(6) PRICE ELECTIONS.—

22                 “(A) IN GENERAL.—Subject to subpara-  
23                 graph (B), insurance coverage shall be made  
24                 available to the producer on the basis of any  
25                 price election that equals or is less than the

1 price election established by the Board. The  
2 coverage shall be quoted in terms of dollars per  
3 acre.

4 “(B) MINIMUM PRICE ELECTIONS.—The  
5 Corporation may establish minimum price elec-  
6 tions below which levels of insurance shall not  
7 be offered.

8 “(7) SUBSTITUTE COVERAGE FOR FIRE AND  
9 HAIL.—

10 “(A) IN GENERAL.—For levels of coverage  
11 65 percent or more of the recorded or appraised  
12 average yield and 100 percent of the expected  
13 market price, or an equivalent coverage, the  
14 producer may elect to delete from the insurance  
15 coverage provided under this title coverage  
16 against damage caused by fire and hail, if an  
17 equivalent or greater dollar amount of coverage  
18 for damage caused by fire and hail is obtained  
19 from a private fire or hail insurance provider.

20 “(B) CREDIT FOR SUBSTITUTE COV-  
21 ERAGE.—Upon written notice of an election  
22 under subparagraph (A) to the company issuing  
23 the policy providing coverage under this title  
24 and submission of evidence of substitute cov-  
25 erage on the commodity insured, the premium

1 of the producer shall be reduced by an amount  
2 determined by the Corporation to be actuarially  
3 appropriate, taking into account the actuarial  
4 value of the remaining coverage provided by the  
5 Corporation. The producer shall not be given a  
6 reduction for an amount of premium deter-  
7 mined to be greater than the actuarial value of  
8 the protection against losses caused by fire and  
9 hail that is included in the coverage under this  
10 title for the crop.

11 “(8) STATE PREMIUM SUBSIDIES.—The Board  
12 may enter into agreements with any State or agency  
13 of a State under which the State or agency may pay  
14 to the approved insurance provider an additional  
15 premium subsidy to further reduce the portion of the  
16 premium paid by farmers in the State.

17 “(9) LIMITATION DUE TO RISK.—The Board  
18 may limit or refuse insurance in any county or area,  
19 or on any farm, on the basis of the insurance risk  
20 concerned.

21 “(d) PREMIUMS.—

22 “(1) RATES.—

23 “(A) IN GENERAL.—The Corporation shall  
24 fix adequate premiums for all the plans of in-  
25 surance of the Corporation at such rates as the

1 Board determines are actuarially sufficient to  
2 attain an expected loss ratio of not greater than  
3 1.1.

4 “(B) CATASTROPHIC RISK PROTECTION.—  
5 For catastrophic risk protection coverage, the  
6 amount of premium shall be sufficient to cover  
7 anticipated losses and a reasonable reserve.

8 “(C) ADDITIONAL COVERAGE.—For levels  
9 of coverage below 65 percent of the recorded or  
10 appraised average yield and 100 percent of the  
11 expected market price, or an equivalent cov-  
12 erage, but greater than catastrophic risk protec-  
13 tion coverage, the amount of premium shall be  
14 sufficient to cover anticipated losses, a reason-  
15 able reserve, and an amount for operating and  
16 administrative expenses (as determined by the  
17 Corporation) that is less than the amount es-  
18 tablished for coverage at 65 percent and 100  
19 percent of the expected market price, or an  
20 equivalent coverage.

21 “(D) HIGH COVERAGE.—For levels of cov-  
22 erage of at least 65 percent of the recorded or  
23 appraised average yield and 100 percent of the  
24 expected market price, or an equivalent cov-  
25 erage, the amount of premium shall be suffi-

1           cient to cover anticipated losses, a reasonable  
2           reserve, and an amount to pay the operating  
3           and administrative expenses (as determined by  
4           the Corporation on an industrywide basis as a  
5           percentage of the total premium).

6           “(2) PAYMENT OF PART OF PREMIUM.—For the  
7           purpose of encouraging the broadest possible partici-  
8           pation, the Corporation shall pay a part of the pre-  
9           mium equivalent to—

10                   “(A) for catastrophic risk protection cov-  
11                   erage, an amount equal to the premium estab-  
12                   lished under paragraph (1)(B);

13                   “(B) for levels of coverage below 65 per-  
14                   cent of the recorded or appraised average yield  
15                   and 100 percent of the expected market price,  
16                   or an equivalent coverage, but greater than cat-  
17                   astrophic risk protection, an amount equal to  
18                   sum of the amount of premium established for  
19                   catastrophic risk protection coverage, a reason-  
20                   able reserve, and the amount for operating and  
21                   administrative expenses established under para-  
22                   graph (1)(C); and

23                   “(C) for levels of coverage at or greater  
24                   than 65 percent of the recorded and appraised  
25                   yield and 100 percent of the expected market

1 price, or an equivalent coverage, on an individ-  
2 ual or area basis, an amount equal to the sum  
3 of the premium established for 50 percent loss  
4 in yield indemnified at 75 percent of the ex-  
5 pected market price, a reasonable reserve, and  
6 the amount for operating and administrative ex-  
7 penses established under paragraph (1)(D).

8 “(3) REDUCTIONS BY PRIVATE PROVIDERS.—If  
9 a private insurance provider determines that the  
10 provider may provide insurance more efficiently than  
11 the expense reimbursement amount set by the Cor-  
12 poration, the private insurance provider may, with  
13 the approval of the Board, reduce the premium  
14 charged the insured by the amount of the efficiency.  
15 A reduction pursuant to the preceding sentence shall  
16 be subject to such rules, limitations, and procedures  
17 as are established by the Corporation.

18 “(e) ELIGIBILITY.—

19 “(1) IN GENERAL.—To participate in cata-  
20 strophic risk protection coverage under this section,  
21 a producer shall submit an application at the local  
22 office of the Department or to an approved private  
23 crop insurance provider.

24 “(2) SALES CLOSING DATE.—For coverage  
25 under this title, each producer shall purchase crop

1 insurance on or before the sales closing date for the  
2 crop by providing the required information and exe-  
3 cuting the required documents. Subject to the goal  
4 of ensuring actuarial soundness for the crop insur-  
5 ance program, the sales closing date shall be estab-  
6 lished by the Corporation to maximize convenience  
7 to producers in obtaining benefits under price and  
8 production adjustment programs of the Department.

9 “(3) RECORDS.—For coverage under this title,  
10 each producer shall provide records, acceptable to  
11 the Corporation, of previous acreage and production  
12 or accept a yield determined by the Corporation.

13 “(4) REPORTING.—For coverage under this  
14 title, each producer shall report acreage planted and  
15 prevented from planting by the designated acreage  
16 reporting date for the crop and location as estab-  
17 lished by the Corporation.

18 “(f) YIELD DETERMINATIONS.—

19 “(1) IN GENERAL.—Subject to paragraph (2),  
20 the Corporation shall implement crop insurance un-  
21 derwriting rules that ensure that yield coverage is  
22 provided to all producers participating in the Fed-  
23 eral crop insurance program.

24 “(2) YIELD COVERAGE PLANS.—

1           “(A) IN GENERAL.—Subject to subpara-  
2 graph (B), the crop insurance yield for a farm  
3 for a crop of a commodity produced during a  
4 crop year shall be based on, as determined by  
5 the producer—

6           “(i) if the crop was produced on the  
7 farm during each of the 4 crop years im-  
8 mediately preceding the crop year, the ac-  
9 tual yield per harvested acre for the crop  
10 on the basis of the average of the yield per  
11 harvested acre for the crop for the farm  
12 for each of the 10 crop years immediately  
13 preceding the crop year, excluding the crop  
14 year with the highest yield per harvested  
15 acre, the crop year with the lowest yield  
16 per harvested acre, and any crop year in  
17 which the crop was not planted on the  
18 farm; or

19           “(ii) in the case of a program crop (as  
20 defined in section 502(3) of the Agricul-  
21 tural Act of 1949 (7 U.S.C. 1462(3)), the  
22 farm program payment yield for the farm  
23 for the crop determined under section 505  
24 of such Act (7 U.S.C. 1465).

1           “(B) ASSIGNED YIELD.—If the producer  
2 does not provide satisfactory evidence of the  
3 yield of a commodity under subparagraph (A),  
4 the producer shall be assigned, as the crop in-  
5 surance yield of the producer, not less than 65  
6 percent of the transitional yield of the producer  
7 (adjusted to reflect actual production reflected  
8 in the records acceptable to the Corporation for  
9 continuous years), as specified in regulations is-  
10 sued by the Corporation based on production  
11 history requirements.

12           “(C) AREA YIELD.—The Corporation may  
13 offer a crop insurance plan based on an area  
14 yield that allows an insured producer to qualify  
15 for an indemnity if a loss has occurred in an  
16 area (as specified by the Corporation) in which  
17 the farm of the producer is located. Under an  
18 area yield plan, an insured producer shall be al-  
19 lowed to select the level of area production at  
20 which an indemnity will be paid consistent with  
21 such terms and conditions as are established by  
22 the Corporation.

23           “(D) COMMODITY-BY-COMMODITY BASIS.—  
24 A producer may choose between individual yield

1 or area yield coverage, if available, on a com-  
2 modity-by-commodity basis.

3 “(3) NOTICE.—The Corporation shall ensure  
4 that producers are given adequate notice of the yield  
5 coverage provisions of this section in advance of the  
6 crop insurance application period for the crops to  
7 which the provisions first will apply.”;

8 (5) in subsection (g) (as so redesignated)—

9 (A) in paragraph (1), by striking “(a)”  
10 and inserting “(c)”;

11 (B) by striking paragraph (2) and insert-  
12 ing the following new paragraph:

13 “(2) PREPARATION OF POLICIES.—A policy or  
14 other material submitted to the Board under this  
15 subsection may be prepared without regard to the  
16 limitations specified in this title, including the re-  
17 quirements concerning the levels of coverage and  
18 rates and the requirement that a price level for each  
19 commodity insured shall equal the projected market  
20 price for the commodity as established by the Board.  
21 The policy may be subsidized only at an amount  
22 equivalent to coverage authorized under this title.”;

23 (C) in paragraph (3)—

1 (i) in the first sentence, by striking  
2 “taking into consideration the risks cov-  
3 ered by the policy or other material”; and

4 (ii) in the second sentence, by insert-  
5 ing “with a private insurance provider”  
6 after “reinsurance agreement”; and

7 (D) by striking paragraph (4) and insert-  
8 ing the following new paragraph:

9 “(4) REQUIRED PUBLICATION.—Any policy,  
10 provision of a policy, or rate approved under this  
11 subsection shall be published as a notice in the Fed-  
12 eral Register and made available to each person who  
13 contracts with or is reinsured by the Corporation  
14 under the same terms and conditions as are applica-  
15 ble between the Corporation and the submitting per-  
16 son.”;

17 (6) by striking subsection (i) (as so redesign-  
18 ated) and inserting the following new subsection:

19 “(i) CLAIMS FOR LOSSES.—

20 “(1) IN GENERAL.—The Corporation may pro-  
21 vide for adjustment and payment of claims for losses  
22 as provided under subsection (a) under rules pre-  
23 scribed by the Board. The rules prescribed by the  
24 Board shall establish standards to ensure that all

1 claims for losses are adjusted, to the extent prac-  
2 ticable, in a uniform and timely manner.

3 “(2) DENIAL OF CLAIMS.—

4 “(A) IN GENERAL.—Subject to subpara-  
5 graph (B), if a claim for indemnity is denied by  
6 the Corporation, an action on the claim may be  
7 brought against the Corporation and the insur-  
8 ance provider in the United States District  
9 Court for the district in which the insured farm  
10 is located.

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

16 (7) by striking subsection (j) (as so redesign-  
17 nated) and inserting the following new subsection:

18 “(j) REINSURANCE.—Notwithstanding any other pro-  
19 vision of this title, the Corporation shall, to the maximum  
20 extent practicable, provide reinsurance, on such terms and  
21 conditions as the Board determines to be consistent with  
22 subsections (b) and (c) and sound reinsurance principles,  
23 to insurers (as defined by the Corporation) that insure  
24 producers of any agricultural commodity under 1 or more  
25 plans acceptable to the Corporation. Each reinsurance

1 agreement of the Corporation with a reinsured company  
2 shall require the reinsured company to bear a sufficient  
3 share of any potential loss under the agreement so as to  
4 ensure that the reinsured company will sell and service  
5 policies of insurance in a sound and prudent manner, tak-  
6 ing into consideration the availability of private reinsur-  
7 ance.”;

8 (8) in subsection (k) (as so redesignated), by  
9 striking “provide” and inserting “offer plans of”;

10 (9) by striking subsection (n) (as so redesign-  
11 ated) and inserting the following new subsection:

12 “(n) INFORMATION COLLECTION ON CROP INSUR-  
13 ANCE.—The Corporation shall make available to produc-  
14 ers through local offices of the Department—

15 “(1) current and complete information on all  
16 aspects of Federal crop insurance; and

17 “(2) a listing of insurance agents for the crop  
18 insurance.”; and

19 (10) by adding at the end the following new  
20 subsection:

21 “(o) COST OF PRODUCTION INSURANCE.—The Cor-  
22 poration shall make available to producers crop insurance  
23 that is based on the actual cost of production of the pro-  
24 ducer. The insurance shall be otherwise comparable to the  
25 other insurance made available under this section.”.

1 (e) CROP INSURANCE YIELD COVERAGE.—Section  
2 508A (7 U.S.C. 1508a) is repealed.

3 (f) TAX EXEMPTION.—Section 511 (7 U.S.C. 1511)  
4 is amended by inserting after “The Corporation, includ-  
5 ing” the following: “the contracts of insurance of the Cor-  
6 poration and premiums on the contracts, whether insured  
7 directly or reinsured by the Corporation,”.

8 (g) FUNDING.—Section 516 (7 U.S.C. 1516) is  
9 amended to read as follows:

10 **“SEC. 516. FUNDING.**

11 “(a) AUTHORIZATION OF APPROPRIATIONS.—There  
12 are authorized to be appropriated such sums as are nec-  
13 essary, including funds collected as administrative fees  
14 under section 508(b), to cover the administrative and op-  
15 erating expenses of the Corporation.

16 “(b) INSURANCE FUND.—

17 “(1) IN GENERAL.—The Corporation shall es-  
18 tablish an insurance fund for the deposit of premium  
19 income, income from reinsurance operations, and ap-  
20 propriations made available under this title. The  
21 Corporation shall pay amounts due under reinsur-  
22 ance agreements of the Corporation under section  
23 508(j) with private insurance providers, including  
24 premium subsidies, from the fund.

1           “(2) SOURCE OF FUNDING.—There are appro-  
2           priated, without fiscal year limitation, such sums as  
3           are necessary to carry out the insurance fund estab-  
4           lished under paragraph (1).”.

5           (h) PRODUCER ELIGIBILITY.—Section 520 (7 U.S.C.  
6 1520) is amended to read as follows:

7           **“SEC. 520. PRODUCER ELIGIBILITY.**

8           “Except as otherwise provided in this title, a pro-  
9           ducer shall not be denied insurance under this title if—

10           “(1) for purposes of catastrophic risk protection  
11           coverage, the producer is a person (as defined by the  
12           Secretary); and

13           “(2) for purposes of any other plan of insur-  
14           ance, the producer is 18 years of age and has a bona  
15           fide insurable interest in a crop as an owner-opera-  
16           tor, landlord, tenant, or sharecropper.”.

17           **SEC. 3. ADVISORY COMMITTEE FOR FEDERAL CROP INSUR-**  
18           **ANCE.**

19           The Act is amended by inserting after section 514  
20 (7 U.S.C. 1514) the following new section:

21           **“SEC. 515. ADVISORY COMMITTEE FOR FEDERAL CROP IN-**  
22           **SURANCE.**

23           “(a) ESTABLISHMENT.—The Secretary may establish  
24 within the Department a committee to be known as the  
25 ‘Advisory Committee for Federal Crop Insurance’ (re-

1 ferred to in this section as the ‘Advisory Committee’),  
2 which shall remain in existence until September 30, 1998.

3 “(b) MEMBERSHIP.—The Advisory Committee shall  
4 be composed of—

5 “(1) the Manager of the Corporation;

6 “(2) the Secretary or a designee; and

7 “(3) not fewer than 10 representatives of orga-  
8 nizations or agencies involved with the Federal crop  
9 insurance program, which may include insurance  
10 companies, insurance agents, farm producer organi-  
11 zations, experts on agronomic practices, and banking  
12 and lending institutions.

13 “(c) ADMINISTRATIVE PROVISIONS.—

14 “(1) TERMS.—Members of the Advisory Com-  
15 mittee shall be appointed by the Secretary for a  
16 term of not more than 2 years from nominations  
17 made by the participating organizations and agen-  
18 cies referred to in subsection (b). The terms of the  
19 members shall be staggered.

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

22 “(3) MEETINGS.—The Advisory Committee  
23 shall meet at least annually. The meetings of the  
24 Advisory Committee shall be publicly announced in  
25 advance and shall be open to the public. Appropriate

1 records of the activities of the Advisory Committee  
2 shall be kept and made available to the public on re-  
3 quest.

4 “(d) PRIMARY RESPONSIBILITY.—The primary re-  
5 sponsibility of the Advisory Committee shall be to advise  
6 the Secretary on the implementation of this title and on  
7 other issues related to crop insurance (as determined by  
8 the Manager of the Corporation).

9 “(e) REPORTS.—Not later than June 30 of each year,  
10 the Advisory Committee shall prepare, and submit to the  
11 Secretary, a report specifying the conclusions of the Advi-  
12 sory Committee on—

13 “(1) the progress toward implementation of this  
14 title;

15 “(2) the actuarial soundness of the Federal  
16 crop insurance program; and

17 “(3) the rate of participation in the cata-  
18 strophic and the additional coverage programs under  
19 this title.”.

20 **SEC. 4. NONINSURED ASSISTANCE PROGRAM.**

21 The Act (7 U.S.C. 1501 et seq.) is amended by add-  
22 ing at the end the following new section:

23 **“SEC. 521. NONINSURED ASSISTANCE PROGRAM.**

24 “(a) ELIGIBILITY.—

1           “(1) IN GENERAL.—The Corporation shall es-  
2           tablish a noninsured assistance program to provide  
3           coverage equivalent to the catastrophic risk protec-  
4           tion insurance described in section 508(b) for crops  
5           for which catastrophic risk protection insurance is  
6           not available. Crops covered shall include all com-  
7           mercial crops and commodities for which cata-  
8           strophic risk protection coverage is not available and  
9           that are produced for food or fiber on a commercial  
10          basis but shall not include livestock. Noninsured as-  
11          sistance shall not cover losses due to—

12                   “(A) the neglect or malfeasance of the pro-  
13                   ducer;

14                   “(B) the failure of the producer to reseed  
15                   to the same crop in such areas and under such  
16                   circumstances as it is customary to so reseed;  
17                   or

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

21           “(2) APPLICATIONS.—To be eligible for assist-  
22           ance under this section, a producer shall make a  
23           timely application for noninsured assistance at the  
24           local office of the Department.

1           “(3) RECORDS.—A producer shall provide  
2 records, acceptable to the Corporation, of previous  
3 crop acreage and production, or the producer shall  
4 accept a yield determined by the Corporation.

5           “(4) ACREAGE REPORTS.—A producer shall re-  
6 port acreage planted and prevented from being  
7 planted by the designated acreage reporting date for  
8 the crop and location as established by the Corpora-  
9 tion.

10           “(5) AREA AVERAGE YIELD.—A producer of a  
11 nonprogram crop shall not be eligible for noninsured  
12 assistance unless the area (as determined by the  
13 Corporation) average yield, or an equivalent measure  
14 if yield data are not available, for the crop is less  
15 than 65 percent of the expected area yield estab-  
16 lished by the Corporation.

17           “(6) PREVENTED PLANTING PAYMENTS.—The  
18 Corporation shall make a prevented planting  
19 noninsured assistance payment if the producer is  
20 prevented from planting more than 35 percent of the  
21 acreage intended for the crop because of drought,  
22 flood, or other natural disaster (as determined by  
23 the Secretary).

24           “(7) REDUCED YIELD PAYMENTS.—If, because  
25 of drought, flood, or other natural disaster (as deter-

1       mined by the Secretary), the total quantity of the  
2       crop that a producer is able to harvest on any farm  
3       is less than 50 percent of the expected area yield for  
4       the crop (as determined by the Corporation) factored  
5       for the interest of the producer for the crop, the  
6       Corporation shall make a reduced yield noninsured  
7       assistance payment.

8               “(8) INCOME LIMITATION.—

9               “(A) IN GENERAL.—A person who has  
10              qualifying gross revenues in excess of  
11              \$2,000,000 during the taxable year (as deter-  
12              mined by the Secretary) shall not be eligible to  
13              receive any noninsured assistance payment  
14              under this section in the year.

15              “(B) DEFINITION.—As used in this para-  
16              graph, the term ‘qualifying gross revenues’  
17              means—

18              “(i) if a majority of the gross revenue  
19              of the person is received from farming,  
20              ranching, and forestry operations, the  
21              gross revenue from the farming, ranching,  
22              and forestry operations of the person; and

23              “(ii) if less than a majority of the  
24              gross revenue of the person is received  
25              from farming, ranching, and forestry oper-

1                   ations, the gross revenue of the person  
2                   from all sources.

3           “(b) PAYMENT RATE.—If the producer is eligible for  
4 noninsured assistance under this section, payments shall  
5 be made for losses in excess of 50 percent of the estab-  
6 lished yield for the crop at 60 percent of the average mar-  
7 ket price for the crop, or any comparable coverage (as de-  
8 termined by the Corporation).

9           “(c) FARM YIELDS.—

10                   “(1) IN GENERAL.—The Corporation shall es-  
11 tablish noninsured assistance program farm yields  
12 for crops for the purposes of this section.

13                   “(2) ACTUAL YIELD.—

14                           “(A) IN GENERAL.—Subject to subpara-  
15 graph (B), the crop insurance yield for a farm  
16 for a crop of a commodity produced during a  
17 crop year shall be based on, as determined by  
18 the producer—

19                                   “(i) if the crop was produced on the  
20 farm during each of the 4 crop years im-  
21 mediately preceding the crop year, the ac-  
22 tual yield per harvested acre for the crop  
23 on the basis of the average of the yield per  
24 harvested acre for the crop for the farm  
25 for each of the 10 crop years immediately

1 preceding the crop year, excluding the crop  
2 year with the highest yield per harvested  
3 acre, the crop year with the lowest yield  
4 per harvested acre, and any crop year in  
5 which the crop was not planted on the  
6 farm; or

7 “(ii) in the case of a program crop (as  
8 defined in section 502(3) of the Agricul-  
9 tural Act of 1949 (7 U.S.C. 1462(3)), the  
10 farm program payment yield for the farm  
11 for the crop determined under section 505  
12 of such Act (7 U.S.C. 1465).

13 “(B) ASSIGNED YIELD.—If the producer  
14 does not provide satisfactory evidence of the  
15 yield of a commodity under subparagraph (A),  
16 the producer shall be assigned, as the crop in-  
17 surance yield of the producer, not less than 65  
18 percent of the transitional yield of the producer  
19 (adjusted to reflect actual production reflected  
20 in the records acceptable to the Corporation for  
21 continuous years), as specified in regulations is-  
22 sued by the Corporation based on production  
23 history requirements.

24 “(d) PAYMENT OF LOSSES.—Payments for  
25 noninsured assistance losses under this section shall be

1 made from the insurance fund established under section  
 2 516(b) and shall be reimbursed from appropriations made  
 3 available under this title. The losses shall not be included  
 4 in calculating the premiums charged to producers for in-  
 5 surance.

6 “(e) PAYMENT LIMITATION.—

7 “(1) IN GENERAL.—The total amount of pay-  
 8 ments that a person shall be entitled to receive an-  
 9 nually under this section may not exceed \$100,000.

10 “(2) DEFINITION OF PERSON.—The Corpora-  
 11 tion shall issue regulations defining the term ‘per-  
 12 son’, which shall conform, to the extent practicable,  
 13 to the regulations defining the term ‘person’ issued  
 14 under section 1001 of the Food Security Act of  
 15 1985 (7 U.S.C. 1308).”.

16 **SEC. 5. CONFORMING AMENDMENTS.**

17 (a) PRICE SUPPORT PROGRAMS.—

18 (1) RICE.—Section 101B(c) of the Agricultural  
 19 Act of 1949 (7 U.S.C. 1441–2(c)) is amended—

20 (A) in paragraph (1), by striking subpara-  
 21 graph (F); and

22 (B) by striking paragraph (2) and insert-  
 23 ing the following new paragraph:

24 “(2) CROP INSURANCE REQUIREMENT.—As a  
 25 condition of receiving any benefit (including pay-

1       ments) under this section, the producer must obtain  
2       at least catastrophic risk protection insurance cov-  
3       erage for the crop and crop year in which the benefit  
4       is sought, if the coverage is offered by the Federal  
5       Crop Insurance Corporation.”.

6               (2) COTTON.—Section 103(h) of such Act (7  
7       U.S.C. 1444(h)) is amended by adding at the end  
8       the following new paragraph:

9       “(17) As a condition of receiving any benefit (includ-  
10      ing payments) under this section, the producer must ob-  
11      tain at least catastrophic risk protection insurance cov-  
12      erage for the crop and crop year in which the benefit is  
13      sought, if the coverage is offered by the Federal Crop In-  
14      surance Corporation.”.

15              (3) UPLAND COTTON.—Section 103B(c) of such  
16      Act (7 U.S.C. 1444–2(c)) is amended—

17              (A) in paragraph (1), by striking subpara-  
18      graph (F); and

19              (B) by striking paragraph (2) and insert-  
20      ing the following new paragraph:

21      “(2) CROP INSURANCE REQUIREMENT.—As a  
22      condition of receiving any benefit (including pay-  
23      ments) under this section, the producer must obtain  
24      at least catastrophic risk protection insurance cov-  
25      erage for the crop and crop year in which the benefit

1 is sought, if the coverage is offered by the Federal  
2 Crop Insurance Corporation.”.

3 (4) FEED GRAINS.—Section 105B(c) of such  
4 Act (7 U.S.C. 1444f(c)) is amended—

5 (A) in paragraph (1), by striking subpara-  
6 graph (G); and

7 (B) by striking paragraph (2) and insert-  
8 ing the following new paragraph:

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

16 (5) WHEAT.—Section 107B(c) of such Act (7  
17 U.S.C. 1445b–3a(c)) is amended—

18 (A) in paragraph (1), by striking subpara-  
19 graph (G); and

20 (B) by striking paragraph (2) and insert-  
21 ing the following new paragraph:

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

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

4 (6) PEANUTS.—Section 108B of such Act (7  
5 U.S.C. 1445c-3) is amended—

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

8 (B) by inserting after subsection (g) the  
9 following new subsection:

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

16 (7) OILSEEDS.—Section 205 of such Act (7  
17 U.S.C. 1446f) is amended—

18 (A) by redesignating subsection (n) as sub-  
19 section (o); and

20 (B) by inserting after subsection (m) the  
21 following new subsection:

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

1 year in which the benefit is sought, if the coverage is of-  
2 fered by the Federal Crop Insurance Corporation.”.

3 (8) SUGAR.—Section 206 of such Act (7 U.S.C  
4 1446g) is amended—

5 (A) by redesignating subsection (j) as sub-  
6 section (k); and

7 (B) by inserting after subsection (i) the  
8 following new subsection:

9 “(j) CROP INSURANCE REQUIREMENT.—As a condi-  
10 tion of receiving any benefit under this section, the pro-  
11 ducer must obtain at least catastrophic risk protection in-  
12 surance coverage for the crop and crop year in which the  
13 benefit is sought, if the coverage is offered by the Federal  
14 Crop Insurance Corporation.”.

15 (9) HONEY.—Section 207 of such Act (7  
16 U.S.C. 1446h) is amended—

17 (A) by redesignating subsection (j) as sub-  
18 section (k); and

19 (B) by inserting after subsection (i) the  
20 following new subsection:

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

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

3 (10) DISASTER PAYMENTS.—Section 208 of  
4 such Act (7 U.S.C. 1446i) is repealed.

5 (b) EMERGENCY DISASTER ASSISTANCE.—Subtitle B  
6 of title XXII of the Food, Agriculture, Conservation, and  
7 Trade Act of 1990 (7 U.S.C. 1421 note) is amended by  
8 striking chapter 3.

9 (c) EMERGENCY APPROPRIATIONS.—Section  
10 251(b)(2)(D)(i) of the Balanced Budget and Emergency  
11 Deficit Control Act of 1985 (2 U.S.C. 901(b)(2)(D)(i)) is  
12 amended by adding at the end the following new sentence:  
13 “The preceding sentence shall not apply to appropriations  
14 to cover agricultural crop disaster assistance.”.

15 (d) CROSS-REFERENCES.—

16 (1) The first sentence of section 506(d) (7  
17 U.S.C. 1506(d)) is amended by striking “508(f)”  
18 and inserting “508(i)”.

19 (2) The last sentence of section 507(c) (7  
20 U.S.C. 1507(c)) is amended by striking “508(b)”  
21 and inserting “508(g)”.

22 (3) Section 518 (7 U.S.C. 1518) is amended by  
23 striking “(i)” and inserting “(k)”.

1 **SEC. 6. EFFECTIVE DATES.**

2 (a) IN GENERAL.—Except as provided in subsection  
3 (b), this Act and the amendments made by this Act shall  
4 become effective on the date of enactment of this Act.

5 (b) EXCEPTIONS.—The amendments made by sec-  
6 tions 2 through 4 shall become effective beginning with  
7 the crop year immediately following the date of enactment  
8 of this Act.

○

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