

UNITED STATES DEPARTMENT OF AGRICULTURE
Federal Crop Insurance Corporation
OMB Number: 0563-NEW

TITLE: Area Risk Protection Insurance

A. JUSTIFICATION

- 1. Explain the circumstances that make the collection of information necessary. Identify any legal or administrative requirements that necessitate the collection. Attach a copy of the appropriate section of each statute and regulation mandating or authorizing the collection of information.**

Background

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 previously, but Public Law 96-365, dated September 26, 1980, provided for nationwide expansion of a comprehensive crop insurance program. The Federal Crop Insurance Act (Act), as amended in later years, further expanded the role of the crop insurance program to be the principal tool for risk management by producers of agricultural commodities. The Act further required that the crop insurance program operate on an actuarially sound basis. To meet these goals, existing crop programs must be improved and expanded, new crop products developed, and new insurance concepts studied for possible implementation. Meeting these goals requires the collection of a wide range of information (data elements). These data elements are used in part to determine insurance coverage, premiums, subsidies, payments, and indemnities. It creates an information database used to support continued development and improvements in crop insurance products available to producers and which meet the goal of a sound insurance program.

Justification

ARPI includes three separate plans of insurance: 1) Area Revenue Protection (ARP), which protects against price declines and automatically includes Upside Harvest Price Protection (UHPP) which protects against price increases; 2) ARP with the Harvest Price Exclusion, which excludes UHPP and protects against price declines but not against price increases; and 3) Area Yield Protection (AYP), which protects against loss of yield only. The following crops will be insured under the ARPI policy and included in this information collection package: corn, cotton, forage, sorghum, soybean, and wheat.

Under ARPI, FCIC proposes to require producers to submit an annual production report by a date specified in the Special Provisions. This will allow FCIC to collect additional information to ensure the data used to calculate the expected yield for the county is the most accurate, credible data available. Many producers already maintain this data. Given the importance of this collection of information to the maintenance and integrity of the program, FCIC proposes that failure to submit this report will result in the insured's yield for the crop year being set equal to the expected county yield for purposes of computing the final county yield and no indemnity will be paid to the insured for any area-based loss, either yield or price.

FCIC proposes keeping the ARPI policy simple, saving time for producers, insurance providers, and RMA, and improving reporting by crop, by not including written agreements in the proposed policy. GRP and GRIP currently allow written agreements to alter the terms of the policy to provide insurance to a producer when Federal crop insurance options for the crop are not available in the county. Because these crops are insured with the base crop's yields, rates and prices, it is unnecessary to burden the producer's, insurance provider, and RMA's time to create written agreements.

Crop insurance companies, including their agents, must collect data from producers in order to submit the required data to RMA. RMA does not develop or distribute forms but creates form standards for the insurance companies to use so insurance companies have the appropriate data available to submit to FCIC in required reports.

2. Indicate how, by whom, and for what purpose the information is to be used. Except for a new collection, indicate the actual use the agency has made of the information received from the current collection.

Insurance companies must obtain enough information so insurability, liability, premium, subsidy and indemnities can be accurately determined.

Insurance companies are reinsured by FCIC under the SRA and are required to electronically submit specific and accurate data to FCIC.

The information (data) collected may be used by other Federal Agencies, insurance companies reinsured by FCIC, and other agencies that require such information in the performance of their duties. The information may also be furnished to: the Internal Revenue Service, the Department of Justice, or other federal or state law enforcement agencies, credit reporting agencies and collection agencies, and in response to judicial order in the course of litigation. The information requested is elective, but is required to obtain or retain crop insurance benefits. The producer must provide accurate and complete data so insurance companies and FCIC can accurately determine liability, subsidy, premium, and the amount of indemnity due a producer, if applicable, and keep the insurance program actuarially sound.

3. Describe whether, and to what extent, the collection of information involves the use of automated, electronic, mechanical, or other technological collection techniques or other forms of information technology, e.g. permitting electronic submission of responses, and the basis for the decision for adapting this means of collection. Also describe any consideration of using information technology to reduce burden.

The insurance companies, under the oversight of FCIC, are offering service delivery functions over the Internet. Internet-based services provided by these entities will be offered as an alternative to traditional paper-based delivery mechanisms, which are primarily based on face-to-face interaction between producers and insurance agents. FCIC will continue to work directly with insurance companies to ensure timely implementation with all statutory requirements. FCIC is also working in conjunction with the Farm Service Agency, Natural Resources Conservation Service, and Rural Development to fully integrate web-based information systems.

Insurance companies that sell and service crop insurance, and crop insurance service organizations, generate computer forms used to collect data elements in accordance with FCIC's information collection standards. Insurance company representatives and agents send the information they collect to the insurance companies electronically or by hard copy documents. This information is entered into insurance company databases and is used by the insurance company to sell, service, underwrite, train, and develop new products. Insurance companies use computer programs that process information in a format compatible with FCIC's automated systems. This enables insurance companies to report required data elements to FCIC electronically. Some insurance companies have their computer programs programmed to automatically send the data by a specific time each day and other insurance companies send the information less frequently.

At the present time insurance companies may or may not be exchanging data electronically with their insurance agents or accepting electronically submitted data from individual producers. Any person wishing additional information may contact an insurance company or insurance agent listed on RMA's web site at: <http://www.rma.usda.gov/>.

4. Describe efforts to identify duplication. Show specifically why any similar information already available cannot be used or modified for use for the purposes described in Item 2 above.

Some of the same data, such as certain producer information, may be required under different plans of insurance and policies. However, once such information is provided by the producer it is used for all applicable plans of insurance and policies without the producer being required to provide the same information multiple times. An exception would apply if the producer insured different crops with different insurance companies, which would require the producer to provide some of the same information to each insurance company because of barriers in sharing certain producer data between insurance companies.

The Farm Service Agency (FSA) and RMA share many common producers because many of the same producers participate in both FSA and RMA programs. Currently, those producers may be required to report much of the same information to both FSA and RMA. Possible duplicate information may include crop, acreage and production data and producer data, such as names, addresses, and identification numbers.

Since 2004, the RMA and FSA have jointly worked on the Comprehensive Information Management System (CIMS) project. CIMS provides a single, centralized repository of RMA and FSA information for use by authorized agencies and private industry partners to meet their program administration data needs. The CIMS project seeks to support information requests, assist in timely identification of possible reporting errors, reduce fraud and abuse vulnerabilities, reduce costs associated with data collection, and improve overall program integrity in the respective agency programs.

While CIMS has not eliminated producers from providing some of the same information to both FSA and RMA, approved USDA users can utilize CIMS web applications to access available data. CIMS also provides a tool that has proven helpful to state and county FSA offices and insurance companies as they review and process information required for program participation. Also, the CIMS process builds data marts of differences between RMA and FSA producer reported data on entity/business type and crop acreage. CIMS makes these differences available to the responsible program authority for reconciliation using current program authorities, processes, and procedures.

In addition, RMA, FSA and other USDA agencies that share common producers and data are engaged in a Departmental level project to establish data standards for common information used for producer commodity reporting to USDA. Project objectives include standardizing information collection requirements, developing common producer, land and crop identifiers; and an electronic medium that allows applicable agencies immediate access to the information upon producer certification. Once implemented, the current duplicative producer reporting of information will be significantly reduced, if not eliminated.

5. If the collection of information impacts small business or other small entities (Item 5 of OMB 83-1), describe any methods used to minimize burden.

The information collection requirements involve producers of agricultural products who are insured and insurance companies reinsured by FCIC, which includes their agents and representatives. The burden of the information collection will vary depending on whether or not the producer cancels the insurance coverage then reapplies, whether options are elected, the number of crops insured, if the producer has a first and second crop on the same acreage in the same crop year, etc. RMA strives to minimize the reporting burden but must collect enough information to keep the crop insurance program actuarially sound as mandated by the Act.

6. Describe the consequence to Federal program or policy activities if the collection is not conducted or is conducted less frequently, as well as any technical or legal obstacles to reducing burden.

If specific information is not collected by the specified dates, the producer may not have insurance coverage or the amount of insurance may be reduced. The crop insurance program would not be administered in an actuarially sound manner if specific information (data) were not collected by the established dates.

If producers and insurance companies did not submit the required data at the specified time, accurate liabilities, premium, and subsidies may not be determined, errors may not be resolved timely, producers may not receive accurate indemnities, payments may be late, crop insurance may not be actuarially sound as mandated in the Act, and crop insurance may operate illegally.

7. Explain any special circumstances that would cause an information collection to be conducted in a manner:

- a) requiring respondents to report information to the agency more often than quarterly;
- b) requiring respondents to prepare a written response to a collection of information in fewer than 30 days after receipt of it;
- c) requiring respondents to submit more than an original and two copies of any document;
- d) requiring respondents to retain records, other than health, medical, government contract, grant-in-aid, or tax records for more than three years;
- e) in connection with a statistical survey, that is not designed to produce valid and reliable results that can be generalized to the universe of study;
- f) requiring the use of a statistical data classification that has not been reviewed and approved by OMB;
- g) that includes a pledge of confidentiality that is not supported by authority established in statute or regulation, that is not supported by disclosure and data security policies that are

consistent with the pledge, or which unnecessarily impedes sharing of data with other agencies for compatible confidential use; or

- h) requiring respondents to submit proprietary trade secret, or other confidential information unless the agency can demonstrate that it has instituted procedures to protect the information's confidentiality to the extent permitted by law.**

The information collection activities contained herein are not collected more frequently than quarterly from producers. Insurance companies must submit specific required data to RMA on a weekly, monthly, and annual basis. FCIC does not require the respondents to prepare a written response to a collection of information in fewer than 30 days after receipt of it. The respondents are not required to submit more than an original and two copies. Insurance companies maintain records longer than 3 years as a normal business practice. Producers normally maintain records for an indeterminate amount of time because of income tax obligations. No statistical survey is conducted by these collections. No statistical data classification that has not been reviewed and approved by OMB is used. A pledge of confidentiality is not required. No proprietary trade secrets or other confidential information are requested.

The collection of information involves producers and approved insurance providers. Specific information (data) is required to apply for crop insurance, determine program eligibility, report crop information, establish liability, change coverage, determine a loss, etc. Producers must provide records, documents, or other information to the approved insurance provider during an investigation or settlement of a claim. Pertinent information must be collected by the established dates to administer the crop insurance program in an actuarially sound manner.

- 8. If applicable, provide a copy and identify the date and page number of publication in the Federal Register of the agency's notice, required by 5 CFR 1320.8 (D) soliciting comments on the information collection prior to submission to OMB. Summarize public comments received in response to that notice and describe actions taken by the agency in response to these comments. Specifically address comments received on cost and hour burden.**

Describe efforts to consult with persons outside the agency to obtain their views on the availability of data, frequency of collection, the clarity of instructions and record keeping, disclosure, or reporting format (if any), and on the data elements to be recorded, disclosed, or reported.

Consultation with representatives of those from whom information is to be obtained or those who must compile records should occur at least once every 3 years even if the collection of information activity is the same as in prior periods. There may be circumstances that may preclude consultation in a specific situation. These circumstances should be explained.

The changes contained in the ARPI Proposed Rule have not been proposed so the public is not aware of the changes. RMA will contact persons outside the agency after the public has had the opportunity to review and comment.

A 60-day request for comments regarding information collection was embedded in the proposed rule "Area Risk Protection Insurance Regulations and Area Risk Protection Insurance Crop Provisions." The proposed rule was published in the Federal Register on July 22, 2011.

9. Explain any decision to provide any payment or gift to respondents, other than remuneration of contractors or grantees.

A payment or gift will never be provided to respondents for providing the information requested for this crop insurance program.

10. Describe any assurance of confidentiality provided to respondents and the basis for the assurance in statute, regulation, or agency policy.

The data that is collected is handled according to established RMA procedures for implementing the Privacy and Freedom of Information Act. The information collections comply with the Privacy Act of 1974 and OMB Circular A-130, Responsibilities for the Maintenance of Records About Individuals by Federal Agencies.

11. Provide additional justification for any questions of a sensitive nature, such as sexual behavior or attitudes, religious beliefs, and other matters that are commonly considered private. This justification should include the reasons why the agency considers the questions necessary, the specific uses to be made of the information, the explanation to be given to persons from whom the information is requested, and any steps to be taken to obtain their consent.

No questions of a sensitive nature are contained in these data elements.

12. Provide estimates of the hour burden of the collection of information. Indicate the number of respondents, frequency of response, annual hour burden, and an explanation of how the burden was estimated.

FCIC estimates there are 600 respondents for approved insurance providers and 33,972 producer respondents for a total of 34,572 respondents. The estimated annual public burden of 176,473 hours divided by 34,572 projected respondents gives an average burden of 5.1 hours per year for each respondent.

Cost to Respondents: The estimated total burden cost is \$3,424,706 per year.

The hourly wage¹ for each respondent was estimated as follows:

45-2011 Agricultural Inspectors	\$19.95
41-3021 Insurance Sales Agent	\$21.87
13-2053 Insurance Underwriter	\$27.80
11-9012 Farmers and Ranchers	\$20.53
43-9061 Office Clerk-General	\$12.57
Ins. Sales Agent/Farmer and Rancher	\$21.20
Ins. Sales Agent/Ins. Underwriter/Farmer	\$23.40
Ins. Sales Agent/Office Clerk	\$17.22
Ins. Sales Agent/ Ins. Underwriter/Office Clerk	\$20.75

¹1. Information obtained from the Office of Personnel Management at http://www.opm.gov/oca/10tables/pdf/rus_h.pdf for the GS-11-01 level. Information obtained from the Bureau of Labor Statistics at http://www.bls.gov/oes/current/oes_nat.htm.

13. Provide estimates of the total annual cost burden to respondents or record keepers resulting from the collection of information, (do not include the cost of any hour burden shown in items 12 and 14). The cost estimates should be split into two components: (a) a total capital and start up cost component annualized over its expected useful life; and (b) a total operation and maintenance and purchase of services component.

The insurance companies report that the average yearly expenses are approximately 5.00 percent of gross premium for telephone lines, transferring data, programming, support and research of data reporting errors, and computer processing time.

The total premium for the 2010 reinsurance year for GRP and GRIP was approximately \$293.3 million. The costs of reporting data, processing data, and software programming would equate to \$14,665,000.

14. Provide estimates of annualized cost to the Federal government. Provide a description of the method used to estimate cost and any other expense that would not have been incurred without this collection of information.

Approved insurance providers are required to submit specific data to RMA in accordance with Appendix III and the SRA. RMA estimates it will cost the Federal Government \$729,000 annually to directly receive, store, and format the data from the insurance companies that they have collected for ARPI. Of this amount \$700 is for hardware to receive the information, \$214,300 is for maintenance and operations of the hardware, \$467,600 is for application, programming, and database loads for Reinsurance Accounting System/FCIC Policy Acceptance and Storage System (RAS/PASS), and \$46,400 is for Federal employee salaries to resolve errors, expense reimbursements and loss payments.

FCIC does not produce or distribute forms. Therefore, there is no cost of producing or distributing forms to the Federal Government.

15. Explain the reasons for any program changes or adjustments reported in Item 13 and 14 of the OMB Form 83-I.

This is a new collection.

16. For collections of information whose results are planned to be published, outline plans for tabulation and publication.

Participation data is used by FCIC to make programmatic recommendations and changes, to determine administrative and operating and premium subsidy expenses of the Corporation, and determine producer guarantees, premium, and any applicable indemnities. The data is not planned for publication.

17. If seeking approval to not display the expiration date for OMB approval of the information collection, explain the reasons that display would be inappropriate.

RMA does not produce or distribute forms, therefore, there is no request to not display an expiration date on forms.

18. Explain each exception to the certification statement identified in Item 19 “Certification for Paperwork Reduction Act.”

This information collection meets the certification requirements of SF-83-I, Item 19.

B. COLLECTION OF INFORMATION EMPLOYING STATISTICAL METHODS

The information collections represented in this docket do not employ statistical methods.