

UNITED STATES DEPARTMENT OF AGRICULTURE
Federal Crop Insurance Corporation
OMB Number: 0563-0083

TITLE: Area Risk Protection Insurance

PURPOSE:

The purpose for this request to the Office of Management and Budget (OMB) is for renewal approval of Information Collection Burden package 0563-0083. This was previously approved for a three year period. A notice for the request for public comment on information collections related to renewal of information collection package number 0563-0083 was published in the Federal Register on September 20, 2016.

Impact of Notice on Public Information Collection Burden

Due to program changes and 2014 Farm Bill Implementation, the Federal Crop Insurance Corporation (FCIC) added new data elements applicable to Area Risk Protection Insurance (ARPI). On Feb. 7, 2014, the President signed the Agricultural Act of 2014 (2014 Farm Bill) which continues programs with modifications and authorizes several new programs administered by the Risk Management Agency (RMA).

The Farm Bill strengthens crop insurance by providing more risk management options for farmers and ranchers and by making crop insurance more affordable for beginning farmers. It continues the growth of the crop insurance program, and provides avenues to expand farm safety net options for organic producers and specialty crop producers. It provides for increased program integrity, guaranteeing that tax dollars are used effectively and efficiently as FCIC expands the farm safety net.

The information collection burden on the producer is not the same as the information collection burden on the insurance companies. Some of the data elements collected from the individual producer are the same data elements the insurance companies send to FCIC; however, not all data elements apply to each producer in any given year and some of the data elements that apply to the insurance companies do not apply to producers. Specific circumstances determine which data elements apply. The information collection burden for a producer depends on the crops insured, if it is the first year of a continuous insurance policy contract, if there is a loss, if options are elected to the insurance policy, etc. The producer may have a larger information collection burden the first year by applying for insurance and completing the acreage report. The following years the producer may only have to report acreage and yield information if there is no loss. In the event of a loss, there is an additional information collection burden on the producer. Producers will report specific information by crop for each crop they insure. The insurance companies will generally always have an information collection burden consisting of all the data elements listed because the data elements will be accumulated from each producer who has an insurance policy with that insurance company. Insurance companies will report data elements to FCIC as specifically required by FCIC and as documented in the [Appendix III/M-13 Handbook](#).

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 are insured under the ARPI policy and included in this information collection package: barley, corn, cotton, forage production, grain sorghum, soybeans, oysters, popcorn, rice, and wheat.

Under ARPI, FCIC requires producers to submit an annual production report by a date specified in the Special Provisions. This allows 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, 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.

- 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.**

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.

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 Standard Reinsurance Agreement (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.**

In compliance with section 508(a)(5) of the Act, the Corporation to the maximum extent practicable, shall allow producers and insurance companies to use electronic methods to submit information required by the Corporation.

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 continuously works with insurance companies to ensure timely implementation with all statutory requirements. FCIC routinely works in conjunction with the Farm Service Agency, Natural Resources Conservation Service, and Rural Development to fully integrate web-based information systems known as Acreage Crop Reporting Streamlining Initiative (ACRSI) (0563-0084).

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. FCIC has established deadlines for

receiving information or penalties apply. This information is used to determine expenses of the Corporation including premium subsidies, indemnities, administrative and operating expenses of the insurance companies, and other administrative and operating expenses of the Corporation.

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 purposed 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. The ACRSI replaces duplicative crop reporting of common acreage information by producers to both FSA and RMA. ACRSI is a joint effort among producers, FSA, RMA, and the crop insurance industry and is available nationwide for the 2017 acreage reporting season. Producers currently provide similar acreage reporting information through two different reporting channels: their FSA county office or to their participating crop insurance agent of an Approved Insurance Provider (AIP) on behalf of the RMA. That information is shared electronically between FSA, RMA and the appropriate AIP. Producers must still contact both their FSA county office and their crop insurance agent as they normally would to validate their common data, provide program-specific information (including maps) and sign acreage reports needed by both agencies, but the common data from the first-filed acreage report will now be available to pre-populate and accelerate completion of the second report, eliminating redundant reporting and reducing the overall time spent filing their acreage reports.

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.

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. As producers change the crops and where crops are planted each year, less frequent collection of data would jeopardize actuarial soundness, and result in inaccurate premium charges to producers.

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.

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

Requiring respondents to report information to the agency more often than quarterly;

Insurance companies must submit specific required data to RMA on a weekly, monthly, and annual basis. The information collection activities contained herein are not collected more frequently than quarterly from producers.

Requiring respondents to prepare a written response to a collection of information in fewer than 30 days after receipt of it;

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.

Requiring respondents to submit more than an original and two copies of any document;

The respondents are not required to submit more than an original and two copies.

Requiring respondents to retain records, other than health, medical, government contract, grant-in-aid, or tax records for more than 3 years;

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.

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;

No statistical survey is conducted by these collections.

Requiring the use of a statistical data classification that has not been reviewed and approved by OMB;

No statistical data classification that has not been reviewed and approved by OMB is used.

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

A pledge of confidentiality is not required.

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.

No proprietary trade secrets or other confidential information are requested.

- 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.

A 60-day request for comments regarding information collection was published in the Federal Register on September 20, 2016, 81 FR 64429-64430. No comments were received regarding this notice.

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FCIC reviewed each line item and data element by consulting with RMA subject matter experts and producers to develop response times for new data elements.

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 20,714 respondents for approved insurance providers and 4,718 producer respondents for a total of 25,432 respondents. The estimated annual public burden of 98,322 hours divided by 25,432 projected respondents gives an average burden of 3.9 hours per year for each respondent.

Cost to Respondents: The estimated total burden cost is \$2,934,646 per year.

The hourly wage¹ for each respondent was estimated as follows:

¹1. Information obtained from the Office of Personnel Management at <https://www.opm.gov/policy-data-oversight/pay-leave/salaries-wages/salary-tables/pdf/2016/KC.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.

45-2011 Agricultural Inspectors	\$21.06
41-3021 Insurance Sales Agent	\$31.15
13-2053 Insurance Underwriter	\$34.93
11-9013 Farmers and Ranchers and Other Agriculture Managers	\$33.60
43-9061 Office Clerk-General	\$15.33
13-1031 Claims Adjusters, Examiners, and Investigators	\$30.91
13-2011 Accountant and Auditor	\$36.19
15-1133 Software Developers, Systems Software	\$52.29
Ins. Sales Agent/Farmer and Rancher	\$32.38
Ins. Sales Agent/Ins. Underwriter/Farmer	\$33.23
Ins. Sales Agent/Office Clerk	\$23.24
Ins. Sales Agent/ Ins. Underwriter/Office Clerk	\$27.14
Ins. Sales Agent/Office Clerk/Claims Adjuster	\$25.80
Ins. Sales Agent/Ins. Underwriter/Farmer/Ag. Inspector	\$30.19
Ins. Sales Agent/Claims Adjuster/Farmer	\$31.89

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 2015 reinsurance year for ARPI was approximately \$174.6 million. The costs of reporting data, processing data, and software programming would equate to \$8,730,000.

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 \$236,347 annually to directly receive, store, and format the data from the insurance companies that they have collected for ARPI. Of this amount \$4,993 is for hardware to receive the information, \$128,811 is for maintenance and operations of the hardware, \$102,543 is for application, programming, and database loads for Reinsurance Accounting System/FCIC Policy Acceptance and Storage System (RAS/PASS), and \$42,273 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 renewal submission is for 25,432 respondents for 150,173 total annual responses for 98,322 annual public burden hours. FCIC updated the total average burden from 5.4 to 3.9 and the total burden cost to respondents from \$3,558,623 to \$2,934,646 per year, resulting in a decrease of 87,494 burden hours. See separate spreadsheet for breakdown.

FCIC reviewed each line item and data element by consulting with RMA subject matter experts and producers to develop response times for new data elements. The number of policies earning premium has decreased since the last time this package was renewed. Additionally, in this review, FCIC determined data elements included in this package previously were already accounted for in Multiple Peril Crop Insurance 0563-0053. These data elements include P51 - Conflict of Interest Policy Reporting Record for a removal of 2,071 hours, and P57 – Quality Control Report Record for a removal of 408 hours. P54 – Agency/Company Employee Data Record, P55 – Agent Data Record, P56 – Loss Adjuster Data Record hours are combined as they are hours completed by IT Staff to transmit data elements to RMA. These three elements were removed from the package and grid but are appropriately counted in the last row, IT Staff, of the Burden Grid. This resulted in a decrease in 2,479 total burden hours from these specific elements.

Due to ARPI program changes and 2014 Farm Bill Implementation, FCIC added one data element, P26 Production Record. The annual public burden hours increased from 0 to 5,855 hours for an increase of 5,855 hours to reflect one-half hour for the farmer and insurance sales agent and office clerk according to the ARPI cost benefit analysis. This increased burden cost by \$200,265.

Additionally, FCIC added ARPI programs for barley, popcorn and rice which resulted in an increase of burden hours.

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. The Risk Management Agency (RMA) publishes a Summary of Business on their website, which includes a variety of reports, data files, and an application that provides insurance experience for commodities grown and insured. This includes the most current information, national reports, and the ability to create ad-hoc queries. Data for the past five years, is updated each Monday with a collection period cutoff every Friday, includes all of the business data that has been validated and accepted throughout the previous week. Data prior to the past five years is static and no longer updated.

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.