



United States Department of Agriculture



OFFICE OF INSPECTOR GENERAL

Actual Revenue History Underwriting for Sweet Cherries

Audit Report 05601-0003-22

OIG reviewed the Risk Management Agency's (RMA) controls for the underwriting of Actual Revenue History insurance policies for sweet cherry crops.

OBJECTIVE

Our objective was to evaluate the adequacy of RMA's controls and oversight efforts over crop insurance policy underwriting processes by determining whether AIPs are complying with underwriting requirements and effectively conducting all required inspections and quality control procedures.

REVIEWED

We reviewed laws, regulations, policies, and procedures pertaining to ARH crop insurance policies for crop years 2014 and 2015, and interviewed RMA officials and AIP employees. We also reviewed a non-statistical sample of 40 ARH sweet cherry policies and supporting records.

RECOMMENDS

We recommend that RMA require AIPs to correct the errors we identified and follow up on the four policies we were unable to review. We also recommend that RMA develop and implement a process to routinely review a targeted sample of ARH policies to ensure that revenue has been reported accurately by the producers.

WHAT OIG FOUND

Actual revenue history (ARH) crop insurance plans protect producers from losses due to low yields, low prices, low quality, or any combination of these events. In April 2008, the Federal Crop Insurance Corporation approved the use of the ARH insurance plan for cherry crops, starting with the 2009 reinsurance year. Cherry crops insured under ARH are in a pilot program only available in a limited number of States and counties. This plan requires the producers to accurately report and self-certify their revenues and farming operations annually by March 1 in California, and by January 15 in all other States. Approved insurance providers (AIP) use producers' self-certified revenues to compute and determine the ARH and related premiums, liabilities, and subsidies for each policy.

RMA's controls and oversight of the AIPs' underwriting of ARH sweet cherry crop insurance policies were generally sufficient to ensure that the two selected AIPs complied with underwriting and quality control requirements. However, we identified revenue reporting errors and supporting documentation issues in approximately 33 percent of the policies in the non-statistical sample we reviewed. This occurred because revenues provided by producers for these policies were not subject to AIP quality control reviews, and the AIPs were unable to obtain acceptable supporting documents from producers for four policies. As a result, the two AIPs we reviewed made policy determinations based on inaccurate revenue histories and, in one instance, overpaid an indemnity by \$3,683.

RMA generally agreed with our recommendations, and we accepted management decision on all three recommendations.



United States Department of Agriculture
Office of Inspector General
Washington, D.C. 20250



DATE: April 9, 2018

AUDIT
NUMBER: 05601-0003-22

TO: Heather L. Manzano
Acting Administrator
Risk Management Agency

FROM: Gil H. Harden
Assistant Inspector General for Audit

SUBJECT: Actual Revenue History Underwriting for Sweet Cherries

This report presents the results of the subject review. Your written response to the official draft report, dated March 22, 2018, is included in its entirety at the end of the report. Excerpts from your response and the Office of Inspector General's position are incorporated into the relevant sections of the report. Based on your written response, we accept management decision for all three recommendations in the report and no further response to us is necessary.

Please note that Departmental Regulation 1720-1 requires final action to be taken within 1 year of each management decision to prevent being listed in the Department's annual Agency Financial Report. Please follow your internal agency procedures in forwarding final action correspondence to OCFO.

We appreciate the courtesies and cooperation extended to us by members of your staff during our audit fieldwork and subsequent discussions. This report contains publicly available information and will be posted in its entirety to our website (<http://www.usda.gov/oig>) in the near future.

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Background and Objectives

Background

The U.S. Department of Agriculture's (USDA) Risk Management Agency (RMA), created in 1996, serves America's agricultural producers through effective, market-based risk management tools to strengthen the economic stability of agricultural producers and rural communities.¹ RMA helps insure producers against crop failures due to crop diseases, hurricanes, and other risks. RMA's national office is located in Washington, D.C., and the Actuarial and Product Design Division is located in Kansas City, Missouri. RMA has 10 regional offices and 6 regional compliance offices throughout the country. It manages the Federal Crop Insurance Corporation (FCIC) and provides innovative crop insurance products to America's farmers and ranchers. FCIC is a wholly-owned government corporation that administers the Federal crop insurance program.

The efficient delivery of crop insurance is a joint effort between the Federal government and Approved Insurance Providers (AIP),² who market and service policies and share the risk associated with agricultural production. RMA uses a cooperative financial assistance agreement, known as a Standard Reinsurance Agreement, to establish the contractual terms with AIPs, under which RMA reinsures and subsidizes eligible crop insurance contracts with producers. This contractual obligation between RMA and AIPs requires that companies ensure program integrity by (1) performing growing season inspections, (2) reviewing reported producer yields, (3) performing onsite inspections, (4) ensuring there are no conflicts of interest, and (5) ensuring indemnity payments are valid. Also, AIPs are required to monitor the work of their agents and loss adjusters by conducting quality control reviews of their own operations.

In fiscal year (FY) 2015, the total cost for FCIC was about \$11.3 billion. Of this amount, about \$8.8 billion was for net indemnities to producers (gross indemnities minus producer-paid premiums). The remaining amount of \$2.5 billion was for payments to AIPs for administrative and operating expenses (A&O subsidy) and underwriting gains.³ For FY 2014, the total cost for FCIC was just under \$12.8 billion. Of this amount, about \$10.7 billion was for net indemnities to producers. The remaining amount of \$2.1 billion was for payments to AIPs for A&O subsidies and underwriting gains.

¹ RMA was established under provisions of the Federal Agriculture Improvement and Reform Act of 1996 (1996 Act), P.L. 104-127, enacted April 4, 1996. This Act required that the Secretary establish within the Department an independent office responsible for supervision of the Federal Crop Insurance Corporation (FCIC), and administration and oversight of programs authorized under the Federal Crop Insurance Act (7 U.S.C. 1501 et seq.).

² An AIP is a legal entity that has entered into a Standard Reinsurance Agreement with FCIC for the applicable reinsurance year.

³ A&O subsidies are paid by FCIC on behalf of the policyholder to the Company for additional coverage level eligible crop insurance contracts in accordance with Section 508(k)(4) of the Act (7 U.S.C. § 1508(k)(4)). Underwriting gains are the amount by which the Company's share of retained net book premium exceeds its share of retained ultimate net losses.

Actual Revenue History

RMA offers several different insurance plans that protect a producer's crop revenue. One of these plans is the Actual Revenue History (ARH) insurance plan, which is based on producers' historical revenues. ARH plans protect the producers from losses due to low yields, low prices, low quality, or any combination of these events. In April 2008, the FCIC Board of Directors approved the use of the ARH insurance plan for cherry crops, starting with the 2009 reinsurance year.⁴ Cherry crops insured under ARH are in a pilot program that is only available in a limited number of states and counties. This plan requires the producers to accurately report and self-certify their revenues and farming operations annually by March 1 in California, and by January 15 in all other States. The AIPs use producers' self-certified revenues to compute and determine the ARH and related premiums, liabilities, and subsidies for each policy. If a producer's policy covers multiple farming units, an ARH is computed for each unit.

For the 2 crop years reviewed,⁵ 2014 and 2015, AIPs wrote 4,499 policies with a total liability of \$939 million for the ARH sweet cherry pilot program. These numbers represent about 0.1 percent (4,499) of total policies (2,243,142) and 0.4 percent (\$939 million) of total liability (\$212.4 billion) in the crop insurance program. In the 2 crop years reviewed, RMA paid claims totaling \$108.4 million on 1,115 sweet cherry policies.

Underwriting of Crop Insurance Policies

Prior to issuing a policy, the AIP is required to perform underwriting procedures to verify insurability requirements. According to the Standard Reinsurance Agreement, AIPs verify crop yields and other information to establish insurance guarantees in accordance with the regulations and FCIC procedures. RMA created the *Crop Insurance Handbook* to provide official underwriting standards for crop insurance policies.⁶ In addition to the handbook, RMA developed underwriting guides for each crop covered by its programs.^{7,8}

AIPs use two key documents to verify that the crop meets the policy insurability requirements: the Pre-Acceptance Worksheet (PAW) and the acreage report. These documents are required annually. Producers use the PAW to self-certify the planting and other conditions of their crops. The acreage report is used to determine the liability or amount of insurance provided, the amount of premium paid by the producer, and the insurable share at the time insurance attaches.

Objectives

Our objective was to evaluate the adequacy of RMA's controls and oversight efforts over AIPs' crop insurance policy underwriting processes by determining whether AIPs are complying with

⁴ The reinsurance year is a single year term of the Standard Reinsurance Agreement beginning July 1 and ending on June 30 of the following year.

⁵ "Crop year" refers to the period within which the insured crop is normally grown, and it is designated by the calendar year in which the insured crop is normally harvested.

⁶ USDA FCIC, *2015 Crop Insurance Handbook*, (Jan. 2015).

⁷ RMA developed crop-specific underwriting guides for the following crops: apple, cabbage, California avocado, citrus, cottonseed, cultivated clams, Florida fruit tree, forage seed, grass seed, Hawaii tropical fruit, Hawaii tropical tree, hybrid sweet corn, mint, nursery, pistachio, sesame, silage sorghum, strawberry, sugarcane, sweet cherry, sweet potato, and tart cherry.

⁸ USDA FCIC, *2015 Actual Revenue History Sweet Cherry Pilot Insurance Standards Handbook*, (Aug. 2014).

underwriting requirements, including the gathering and analysis of detailed farm records, and effectively conducting all required inspections and quality control procedures.

We initiated our review with a survey that included only crop year 2014. However, at the conclusion of the survey, we focused our audit on crop year 2014 and 2015 policies issued under the ARH plan of insurance for sweet cherries, which ranked highest in ARH policies sold, subsidy amount, and indemnity amount. We found that the AIPs effectively conducted all required inspections and quality control procedures. However, we did identify errors related to producers' reported revenue and maintenance of records.

Section 1: Actual Revenue History Verification

Finding 1: Producers Did Not Always Provide Accurate Revenue or Supporting Documentation

We found that RMA's controls and oversight of the AIPs' underwriting of ARH sweet cherry crop insurance policies were sufficient to ensure that the two AIPs we reviewed were complying with underwriting and quality control requirements. However, we identified revenue reporting errors in 9 of 36 policies, and we were unable to verify revenue for an additional 4 policies. This occurred because revenues provided by producers for these policies were not subject to AIP quality control reviews, and the AIPs were unable to obtain acceptable supporting documents from producers for four policies. As a result, the two AIPs we reviewed made policy determinations based on inaccurate revenue histories and, in one instance, overpaid an indemnity by \$3,683 (See Exhibit A).

When enrolling in an ARH plan of insurance, the responsibility for submitting accurate and complete revenue reports rests solely with the producers. However, as part of their agreement with RMA, the AIPs are responsible for performing quality control reviews and indemnity reviews for losses exceeding \$200,000.⁹ When conducting quality control reviews, AIPs are to review and verify the most recent year of records used to support the ARH. If AIPs find an error in those records, they are required to expand the testing to two additional years, for a total of three years of certified revenues. During our review, we found that the two AIPs were conducting these reviews as required. Additionally, regulations require that records must be provided by the producer at the time of an audit, review, or as otherwise requested, to verify that the acreage and production certified are accurate. Producers are required to maintain records for three years after the end of the crop year.

To evaluate the accuracy of producers' self-certified revenues, we performed an analysis of the producers' most recent three years of production and revenue records. For our sample of 40 ARH cherry policies, we requested the supporting records from the AIPs, who in turn obtained them from the producers, insurance agents, or prior AIP. We found instances in which the certified revenues used by the AIPs to establish the ARH were both over- and under-reported by producers. After comparing the certified revenues to the supporting documentation, we found discrepancies in 9 of the 36 policies (25 percent) we reviewed (see Exhibit B).¹⁰ These nine policies accounted for \$10.29 million in liability, \$574,890 in premium subsidies, and a net revenue understatement of \$158,365. Further, for four additional policies, the producers' records were either not available for review or were illegible, resulting in our inability to verify the accuracy of reported revenues for those policies.

We found inaccuracies in the certified revenue histories for nine of the policies we reviewed. We reconciled the producers' previous three years of revenue records to their self-certified ARH revenues and found errors in at least one year for each of these nine policies. The AIPs had not

⁹According to the Standard Reinsurance Agreement, AIPs are required to perform the following quality control reviews: Data Mining Reviews, Individual Policy Reviews, Conflict of Interest Reviews, Consecutive Loss Adjuster Reviews, \$200,000 Indemnity Reviews, Rainfall Index and Vegetation Index Reviews, and Actual Production History Verification Reviews.

¹⁰ Our review identified five policies with revenue discrepancies at AIP A and four at AIP B.

identified these differences between the certified revenues and the supporting records because the policies were either not selected for review, or the discrepancies occurred in years not subject to RMA's verification procedures.¹¹

For one 2014 policy that had not been subject to an indemnity or quality control review, we found that the producer's insurance agent erroneously overstated the 2011 certified revenue by \$726,756. This occurred because the agent included the revenue of a portion of the producer's farm that was sold after harvest in 2010. We notified the AIP, and the AIP corrected the error in October 2016. The overstated revenue would have likely resulted in inaccurate liability, subsidy, and premium calculations if it had not been in our sample and corrected.

We also identified one producer who received an indemnity payment for \$3,683 more than required due to inaccuracies in the producer's self-certified revenue history for 2011 and 2012. The AIP did not identify those inaccuracies because RMA's controls only require the AIP to review the most recent year of revenue history, and the error was unrelated to the most recent year. In 2014, the producer filed a claim that resulted in an indemnity payment of over \$270,000. As required by RMA, the AIP reviewed the producer's revenue history for the previous crop year (2013), and, finding no errors, issued the indemnity payment. However, we reviewed the revenue histories for 3 crop years (2011, 2012, and 2013) and determined that the producer misreported revenue for all eight farming units in 2011. The discrepancies ranged from under-reporting \$27,335 in revenue for one unit to over-reporting revenue by \$57,057 for another unit. In addition to the 2011 errors, the producer also over-reported revenue for one farming unit in 2012. Our review did not identify a revenue reporting error in crop year 2013.

After discussing this discrepancy with the AIP, the company's compliance auditor reviewed the producer's reported 2011 and 2012 production revenues and concluded that they were inaccurate. The AIP determined that an indemnity overpayment of \$3,683 and a premium overpayment of \$242 had occurred. The AIP informed us in October 2016 that it had applied a premium refund to the indemnity overpayment and collected the net overpayment of \$3,441 from the insured.

We were unable to perform a full review of revenue histories for 4 of the 40 policies in our sample because the AIPs could not provide the supporting records. Two of the producers were no longer in business, and one producer was no longer insured by the AIP; therefore, the AIP was unable to obtain the records from the producers. The policy liability for those three producers totaled \$4.6 million. For the fourth producer, who had a policy with a liability of \$1.1 million for crop year 2014, the AIP was not able to provide acceptable production records to support the 3 prior years of reported revenues. Some of the documents were illegible, which prevented us from being able to verify the producer's actual revenue. As a result, we were unable to verify the accuracy of the AIPs' liability, premium, and subsidy calculations for these producers.¹²

Given the prevalence of errors we identified related to producer-reported revenues, we believe that RMA can improve its oversight of this pilot program by developing and implementing a

¹¹ No errors occurred in the most recent year's revenue for five of the nine policies.

¹² Because there were no claims associated with these four policies, we are not requesting any monetary recovery at this time.

process to review a targeted sample of ARH policies to provide greater assurance that producers are accurately reporting their revenue and they are maintaining appropriate supporting records.

Recommendation 1

Require the AIPs to make the necessary corrections for the ARH errors we identified.

Agency Response

In its March 22, 2018, response, RMA stated that it will review and assess the respective policies and, where appropriate, take actions to address and resolve any identified discrepancies that are within its control. RMA expects to complete this action by July 31, 2018.

OIG Position

We accept management decision for this recommendation.

Recommendation 2

For the four policies we were unable to review, determine whether the producers are currently participating in the crop insurance program. If so, perform an ARH verification or apply the appropriate yield adjustments.

Agency Response

In its March 22, 2018, response, RMA stated that it will conduct a review of the respective policies to determine whether the producers are currently insured. If they currently hold a policy, RMA will conduct a review of their current policy and, where appropriate, take actions to address and resolve any identified discrepancies. RMA expects to complete this action by July 31, 2018.

OIG Position

We accept management decision for this recommendation.

Recommendation 3

Develop and implement a process to routinely review a targeted sample of ARH policies to ensure that revenue has been reported accurately by the producers.

Agency Response

In its March 22, 2018, response, RMA stated that a process has been established and ARH policies are being reviewed as part of its Improper Payment Elimination Recovery Improvement Act (IPERIA) process. Through IPERIA, RMA has reviewed a targeted sample of ARH policies to ensure that underwriting (including revenue reports) and claim procedures were accurately completed and reviewed by AIPs. Additionally, RMA performs annual monitoring of pilot programs, including the sweet cherry pilot program, to determine if program changes are needed. This monitoring includes evaluating performance of the pilot program, producer participation in the pilot program and a review of several producer files to determine if AIPs administered the program consistent with the intent of policy materials.

RMA also conducts formal end-of-pilot evaluations to determine if RMA is providing sound, effective risk management programs that meet the needs of producers. Program evaluations examine past and present performance of the pilot program to determine if performance can be improved and if the program has vulnerabilities and weaknesses. RMA awarded a contract in 2017 to evaluate the sweet cherry program as well as the ARH plan of insurance. The contract will involve a comprehensive analysis of the program with suggested recommendations for needed modifications. The contracted report deliverable is due March 2018.

OIG Position

We accept management decision for this recommendation.

Scope and Methodology

We evaluated the adequacy of RMA's controls and oversight efforts over the underwriting of crops insured under the ARH plan of insurance during crop years 2014 and 2015. Specifically, we examined the adequacy and effectiveness of RMA's processes related to the underwriting of ARH sweet cherry crop policies.

We conducted our fieldwork at the RMA national office in Washington, D.C., and at the Actuarial and Product Design Division in Kansas City, Missouri. We held meetings with staff from both the RMA regional office and Western Regional Compliance Office in Davis, California. Based on our evaluation of RMA data, we selected the ARH Program because it is a pilot program and has a relatively high loss ratio. Within the ARH Program, we focused on sweet cherries because they ranked highest in ARH policies sold, subsidy amount, and indemnity amount. We then non-statistically selected two AIPs with the highest number of policies sold and indemnities paid to evaluate the underwriting of sweet cherry crop policies. For each AIP, we selected 20 crop policies for review to assess the adequacy and effectiveness of RMA's procedures for underwriting: 10 policies with the highest liability and highest indemnity paid and 10 policies with the highest liability and no indemnity paid for the 2 crop years combined. We performed fieldwork for this audit from September 2015 through April 2017.

To accomplish our objectives, we performed the following audit procedures:

- reviewed applicable laws, regulations, and agency procedures concerning the administration of the Federal crop insurance program, specifically those pertaining to the ARH sweet cherries;
- interviewed relevant RMA personnel from the Actuarial and Product Design Division to discuss the development of the ARH plan of insurance;
- interviewed RMA personnel from the regional office in Davis, California to get an understanding of the underwriting of sweet cherry crops;
- visited two non-statistically selected AIPs in California and Washington to discuss the underwriting of sweet cherry crops;
- interviewed relevant AIP personnel and reviewed associated documentation supporting the underwriting of ARH sweet cherry policies; and
- reviewed supporting records for a non-statistical sample of ARH sweet cherry policies to assess the accuracy of producers' certified revenues.

During the course of our audit, we did not solely rely on or verify information in any agency information systems. We make no representation regarding the adequacy of any agency computer systems, or the information generated from them because our findings and conclusions are based on our review of actual revenue and production documents provided to OIG by the AIPs.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Abbreviations

A&O.....	administrative and operating
AIP	Approved Insurance Provider
ARH	Actual Revenue History
FCIC.....	Federal Crop Insurance Corporation
FY	fiscal year
OIG	Office of Inspector General
OMB.....	Office of Management and Budget
PAW	Pre-Acceptance Worksheet
RMA	Risk Management Agency
USDA.....	United States Department of Agriculture

Exhibit A: Summary of Monetary Results

This exhibit summarizes the monetary results for our audit report by finding and recommendation number.

Finding	Recommendation	Description	Amount	Category
1	1	Overpaid indemnity	\$3,683	Questioned Costs, No Recovery ¹³
Total			\$3,683	

¹³ The AIP informed OIG in October 2016 that it collected the excess net indemnity paid to the producer.

Exhibit B: Producer Certification and Reporting Errors

This exhibit summarizes the results of our review of certified revenues reported for a sample of cherry crop policies insured under the ARH plan of insurance. The table contains the following information: AIP, producer number, year in which we found the discrepancy, and the revenue overstatement (understatement).

AIP	Producer Number	Year	Revenue Overstatement (Understatement)
A	1	2011	\$21,713
A	1	2012	14,501
A	2	2011	46,221
A	2	2013	(20,341)
A	3	2013	(445,476)
A	4	2011	73,867
A	4	2012	9,459
A	5	2011	726,756
B	6	2012	(12,853)
B	6	2013	(2,560)
B	6	2014	(3,591)
B	7	2013	45,574
B	8	2012	(311,818)
B	8	2013	(315,518)
B	9	2012	12,336
B	9	2014	3,365
Total			(\$158,365)

**RMA'S
RESPONSE TO AUDIT REPORT**



United States Department of Agriculture

Farm Production and Conservation
Risk Management Agency

March 22, 2018

TO: Gil H. Harden
Assistant Inspector General for Audit
Office of Inspector General

FROM: Heather Manzano /S/ **Heather Manzano**
Audit Liaison Official
Risk Management Agency

SUBJECT: Office of Inspector General Audit 05601-0003-22, Draft Report,
Actual Revenue History Underwriting for Sweet Cherries

RMA requests Management Decision for Recommendation 1, 2, and 3 for OIG Audit 05601-0003-22, Actual Revenue History Underwriting for Sweet Cherries.

RECOMMENDATION 1

Require the AIPs to make the necessary corrections for the ARH errors we identified.

RMA RESPONSE TO RECOMMENDATION 1

RMA will review and assess the respective policies, and where appropriate take actions to address and resolve any identified discrepancies that are within our control. RMA expects to complete this action by July 31, 2018.

RECOMMENDATION 2

For the four policies we were unable to review, determine whether the producers are currently participating in the crop insurance program. If so, perform an ARH verification or apply the appropriate yield adjustments.

RMA RESPONSE TO RECOMMENDATION 2

RMA will conduct a review of the respective policies to determine whether the producers are currently insured. If they currently hold a policy, we will conduct a review of their current policy and where appropriate take actions to address and resolve any identified discrepancies. RMA expects to complete this action by July 31, 2018.



Deputy Administrator for Compliance

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RECOMMENDATION 3

Develop and implement a process to routinely review a targeted sample of ARH policies to ensure that revenue has been reported accurately by the producers.

RMA RESPONSE TO RECOMMENDATION 3

In the last two years RMA has included cherries in the Improper Payment Elimination Recovery Improvement Act (IPERIA) process. Through the IPERIA, RMA has reviewed a targeted sample of ARH policies to ensure that underwriting (including revenue reports) and claim procedures were accurately completed and reviewed by AIPs. The samples include a diverse number of states, counties, and AIPs. Therefore a review process has already been established and ARH policies are being reviewed.

Plan	Crop Year	State	County	AIP	Policy Count
Actual Revenue History	2015	CA	Kern	A	1
Actual Revenue History	2015	CA	Kern	B	1
Actual Revenue History	2015	CA	Kern	C	1
Actual Revenue History	2015	CA	San Benito	C	1
Actual Revenue History	2015	CA	San Joaquin	C	1
Actual Revenue History	2015	CA	Santa Clara	C	1
Actual Revenue History	2016	CA	Fresno	C	1
Actual Revenue History	2016	CA	Kern	C	1
Actual Revenue History	2016	CA	San Benito	C	1
Actual Revenue History	2016	CA	San Joaquin	A	1
Actual Revenue History	2016	CA	San Joaquin	C	2
Actual Revenue History	2016	CA	Santa Clara	C	1
Actual Revenue History	2016	WA	Chelan	B	1
Actual Revenue History	2016	WA	Grant	C	1
Actual Revenue History	2016	WA	Yakima	C	1
Grand Total					16

Additionally, RMA performs annual monitoring of pilot programs, including the sweet cherry pilot program to determine if program changes are needed. Changes can be made when certain issues exist; including, the risk management needs of insureds are not being met, loss experience appears excessive, and actuarial soundness is not being achieved. Annual monitoring includes several areas of focus for program analysis; including, performance of the pilot program by state and county for the year, producer participation in the pilot program compared to other area crops or insurance plans, and the distribution of additional and catastrophic coverage levels in terms of net acres, premium, and liability. Annual monitoring of the sweet cherry program included a review of several producer files to determine if AIPs administered the program consistent with the intent of policy materials. RMA also conducts formal end-of-pilot evaluations to determine if RMA is providing sound, effective risk management programs that meet the needs of producers. Program evaluations examine past and present performance of the pilot

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program to determine if performance can be improved and if the program has vulnerabilities and weaknesses. RMA contracted a program evaluation on the sweet cherry program in 2012. The results of the evaluation supported continuation and expansion of the program. RMA also awarded a contract in 2017 to evaluate the sweet cherry program as well as the ARH plan of insurance. The contract will involve a comprehensive analysis of the program with suggested recommendations for needed modifications. The contracted report deliverable is due March 2018.

Should you have any questions, please contact Nicole Smith Lees at (202) 260-8085.

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