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Investigating Crop Insurance Fraud
&
Whole-Farm Revenue Program/Micro Farm

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DISCLAIMER

This presentation highlights features of the Risk Management Agency Programs and is not intended to be comprehensive. The information presented neither modifies nor replaces terms and conditions of RMA policies or county actuarial documents.

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Agenda

- RMA Background
- Investigating Crop Insurance Fraud
- Whole Farm Revenue Protection/Micro Farm

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What Is the Risk Management Agency

- USDA agency –manages the Federal Crop Insurance Corporation.
- RMA, via the FCIC provides crop insurance to American producers.
- 13 companies have Standard Reinsurance Agreements & 10 have Livestock Price Reinsurance Agreements with RMA.
- The companies provide agents that sell the crop insurance to producers.
- The companies manage loss adjusters and pay all claims.

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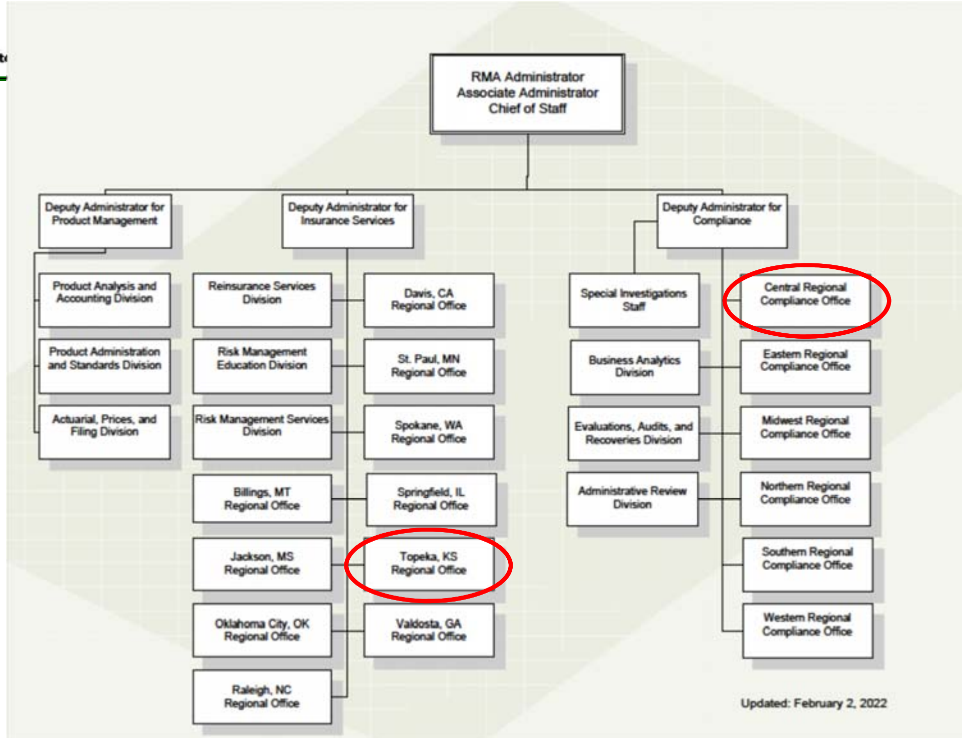

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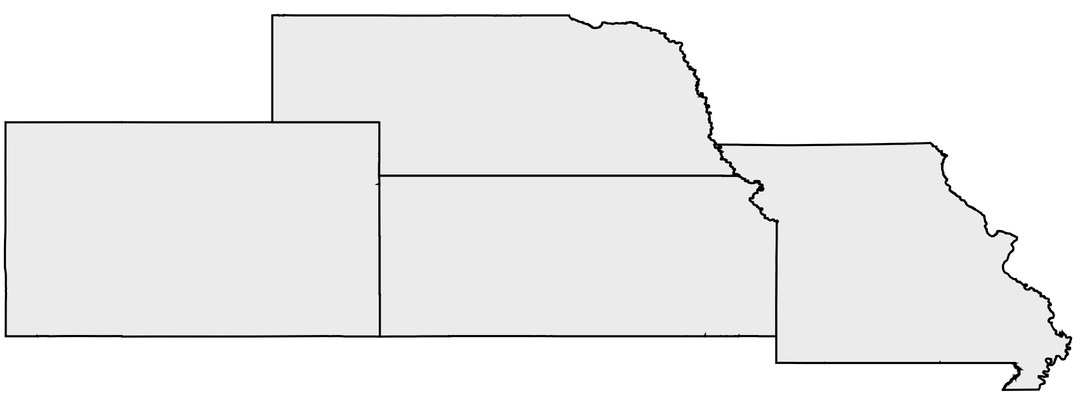
TRO & CRCO Cover Same Four States



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Investigating Crop Insurance Fraud

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Agenda

- Types of Reviews
- RMA Tools
- Fraud Indicators
- Reporting Fraud, Waste and Abuse

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Types of Reviews

- Improper Payment Review
  - Review of a statistically valid sample of policies to annually determine the crop insurance improper payment rate as required by OMB
- Program Reviews
  - Review of anomalies identified by RMA that suggest abnormal or unusual underwriting or loss performance
  - Primarily generated through data mining
- Investigative Reviews
  - Review of complaints – OIG Hotlines, FSA Spot checks and referrals, AIP referrals, Congressional inquiries
  - Reviews originated by Deputy Administrator for Compliance (DAC) or Regional Compliance Office (RCO) Director

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Improper Payment Review (IPERIA)

BACKGROUND: To meet the requirements of the *Improper Payments Elimination and Recovery Improvement Act of 2012* (IPERIA), RMA, reporting for the Federal Crop Insurance Corporation (FCIC), is required to conduct an annual IPERIA review to determine its improper payment rate.

An **improper payment** is a payment that should not have been made or that was made in an incorrect amount, including both overpayments and underpayments, or there is not enough documentation to determine if the payment was correct.

FCIC is a **high risk** program because it meets the following criteria for high risk programs (susceptible to significant improper payments):

- $10 million in improper payments and a 1.5% improper payment rate or
- Total outlays exceed $100 million (regardless of improper payment amounts).

In Fiscal Year 2017, FCIC was removed from the high priority program list because it had at least two consecutive years of improper payment reporting below $750 million.

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Program Reviews

RMA conducts Program Reviews to evaluate if RMA or AIPs administer, operate, and deliver insurance concepts and crop-specific policies in compliance with applicable rules, laws, and regulations.

RMA may also conduct Program Reviews to identify or assess program vulnerabilities in a specific area such as a Crop, Insurance Concept, AIP Adherence to Policy or Procedure, or RMA Implementation of Policy or Procedure.

Program Reviews typically involve more than one AIP, Producer, Agent, and/or Loss Adjuster.

- Program Reviews can result in monetary findings, FCIC Outcomes, SRA Violations, or no findings.
- Multiple findings and violations types can be identified in a single review.

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Investigative Reviews

RMA conducts Investigative Reviews in response to allegations of non-compliance with federal crop insurance laws, policies, agreements, contracts, or procedures.

Allegations are submitted via complaints or requests to the Deputy Administrator for Compliance (DAC), Regional Compliance Offices (RCOs), and the Special Investigations Staff (SIS).

Allegations come from a variety of sources, including the following:

- Office of Inspector General (OIG) Hotline, Audit, or Investigation
- Concerned citizen complaints from the general public
- Congressional inquiries
- RMA offices (e.g., IS, PM, DAC, and other compliance offices/SIS);
- Farm Service Agency (FSA)
- Other government agencies
- AIP company officials
- RCO self-identified issues

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Investigative Reviews *(Cont'd)*

Investigative Reviews typically focus on individual producers, agents, loss adjusters, or an entire Approved Insurance Provider (AIP) or any person or entity suspected of fraud in relation to the Federal Crop Insurance Program.

The area of review may encompass fraud, waste, abuse, unintentional errors, or data discrepancies. Depending on the nature of the allegation, either an RCO or SIS conducts the Investigative Review.

Investigative Reviews can result in a monetary finding, a procedural finding, or no finding. A single review can identify both types of findings.

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RMA Tools for Investigating Fraud

- Weather
- Satellite Imagery
- Analysis of Area Losses
- Aerial Photography
- CLU Layer
- Crop Scape Layer
- Drought Monitor
- Soil Maps
- Topography

General Fraud Indicators

General – applicable to any type of insurance claim

Demand for quick settlement	Untimely report of loss to insurance company
Multiple entities using same address	Neighbors, friends or relatives know nothing about loss
Shifting production	Insured offers inducement to pay claim
Bona fide shares not easily identified	Insured does not want the claims adjuster to talk to other persons about the loss
Insured is difficult to contact or delays meeting with the claims adjuster	Reluctancy to provide access to records and/or fields

Indicators on Applications and Forms

Crop Insurance – specific indicators relating to crop insurance claims

Signatures on application are all in same handwriting	Acreage report contained the wrong legal
Documents not received timely	Name of an insured is crossed-out and changed on the application
Shares on companion policies don't add up	Not all the questions on the required forms are answered
Production reports are dated wrong, no dates or missing signatures	Numbers on the forms are always in round numbers
Acreage report contained the wrong legal	Changing numbers on the forms often
Dates on forms don't match key insurance dates	Facts reported to FSA differ from facts reported to insurance company

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Complaint Procedures: Quick Reference Guide

- Steps for basic Fraud, Waste and Abuse allegations from producers
  1) Have the producer gather the 5Ws or as close as possible. (Who, What, When, Where, and Why/How)
  2) Direct the producer to the appropriate Regional Compliance Office using the RMA webpage

     Regional Compliance Offices | RMA (usda.gov)
     https://www.rma.usda.gov/en/RMALocal/Field-Offices/Regional-Compliance-Offices

     The webpage provides all necessary information for a producer to Call, Email, or Mail their complaint to the agency for action.
  3) Let the process work.
  4) Please advise the producer that they should not expect RMA to inform them of the outcome of an investigation.

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OIG Hotline Information

What should you report?

- Report violations of laws and regulations relating to USDA programs, particularly if you witness or have knowledge of any of the following:
- Criminal Activity, such as: Bribery, Smuggling, Theft, Fraud, Endangerment of Public Health or Safety
- Mismanagement / Waste of Funds
- Workplace Violence
- Employee Misconduct
- Conflict of Interest

https://usdaoig.oversight.gov/hotline?page=complainant_information

What Information to Provide

To process your allegation(s), we will need you to provide as much information as possible regarding your complaint. Your information should include:

- Who committed the wrongdoing (USDA agency, person, organization, description, etc.)?
- What exactly did the individual or entity do?
- Where did the alleged activity take place (address)?
- When did the alleged activity take place?
- How are the individuals involved and how were these individuals able to perform the alleged activity?
- Do you know why the person committed the wrongdoing?
- Witnesses, if any, who can verify the allegations?
- Without sufficient information we may be unable to act on your allegation. Therefore, in order to investigate your concerns properly, please provide as much information as possible. We are very interested in the information you have to provide regarding the misconduct, fraud, waste, abuse, or mismanagement in our USDA programs.

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Federal Crop Insurance Overview: Whole-Farm Revenue Protection (WFRP) and Micro Farm

Risk Management Agency

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Providing Coverage for Diversified Producers

- **WFRP** - first offered in 2015 to provide coverage for all crops under one crop insurance policy for diversified producers including specialty and organic crops.
- **Micro Farm -** first offered in 2022 as a streamlined approach to WFRP - specifically for small producers.

WFRP

- Covers up to $17 million of revenue
- Post-production costs are not included
- Expected value are primarily based on third-party sources
- Expected yields are based on underlying policies or insured's four-year average
- May purchase additional individual crop policies
  - Must be at buy-up coverage levels
  - Any indemnities from these policies will count as revenue earned under WFRP

Micro Farm

- Less paperwork requirements
- Insures farm operations with approved revenue up to $350,000 for the initial year of insurance & $400,000 for carry-over policies
- Post-production and value-added costs may be included in approved revenue
- Expected value are based on the insured's past three-year average of total revenue and acres
- No individual crop policies allowed

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What does WFRP & Micro Farm cover?

- Revenue from all commodities produced on the farm:
  - Including Hemp
  - Animals and animal products
  - Commodities purchased for resale (up to 50% of total)
  - Excluding timber, forest, forest products, and animals for sport, show, or pets
- Replant costs (with approval)
  - Not available under Micro Farm

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What is Micro Farm?

- **A streamlined/more accessible version of WFRP**
  - Insures farm operations with approved revenue up to $350,000 for the initial year of insurance & $400,000 for carry-over policies
  - Post-production and value-added costs may be included in approved revenue
    - For example: jams, jellies, or pies made from fruit produced on farm operation
  - Expected value is based on the insured's past three-year average of total revenue and acres

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How is the amount of insured revenue determined?

WFRP and Micro Farm insured revenue is <u>the lower of</u>:

- Current year's expected revenue (determined on the farm plan) at the selected coverage level, or
- The adjusted historic revenue at the selected coverage level

WFRP & Micro Farm Coverage Options

- Flexible coverage levels to tailor to your need
  - 50-85%, in 5% increments
  - Diversification of 3 commodities (commodity count) required for 80% and 85% (WFRP)
  - **Micro Farm automatically qualifies for 80 & 85% coverage**
  - No catastrophic level available

Post-production & Value Added

- **Micro Farm**
  - **Post-production, value-added, and market readiness operations may be included in expected prices and allowable revenue**
- WFRP
  - Post-production & Value-added costs must be removed from expected prices and allowable revenue
  - Costs for market readiness operations may be left in the approved revenue

*Market readiness operations is defined as:

- Minimum required to remove commodity from the field and make market ready
- On farm, in-field, or close-proximity to field

What causes a loss payment under WFRP & Micro Farm?

- Natural causes of loss and decline in market price during the insurance period
- Taxes must be filed for the policy year before any claim can be made
- When revenue-to-count for the policy year is lower than insured revenue, a loss payment will be made

Does diversification matter for WFRP & Micro Farm?

Yes!

The diversification measure determines eligibility for:

- 80 & 85% coverage levels
  - WFRP Requires 3 commodities
  - **Micro Farm automatically**
- Additional WFRP Diversification Requirements
  - Potato farms must have 2 commodities
  - Commodities insurable with other revenue coverage must have 2 commodities

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Does diversification matter for WFRP & Micro Farm?

Yes!

The diversification measure also determines:

- The amount of the diversification discount to the premium rate
  - **Micro Farm is a set discount**
- Whole-farm premium subsidy for farms with two or more commodities
  - **Automatic for Micro Farm**

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WFRP & Micro Farm Premium Subsidy

WFRP Subsidy: Percentage of Total Premium Paid by Government

Coverage Level	50%	55%	60%	65%	70%	75%	80%	85%
Basic Subsidy Qualifying Commodity Count: 1	67%	64%	64%	59%	59%	55%	N/A	N/A
Whole-Farm Subsidy Qualifying Commodity Count: 2	80%	80%	80%	80%	80%	80%	N/A	N/A
Whole-Farm Subsidy Qualifying Commodity Count: 3 or more	80%	80%	80%	80%	80%	80%	71%	56%

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WFRP limits for qualification:

Coverage Level	Commodity Count (Minimum Required)	Maximum Farm Approved Revenue
85	3	$20,000,000
80	3	$21,250,000
75	1	$22,666,666
70	1	$24,285,714
65	1	$26,153,846
60	1	$28,333,333
55	1	$30,909,090
50	1	$34,000,000

- Covers up to $17 million of revenue
  - Coverage limited to $2 million in expected revenue from animals and animal products, excluding aquaculture commodities
  - Coverage limited to $2 million in expected revenue from greenhouse/nursery, excluding aquaculture commodities
    - Products also insurable under nursery policy
    - Doesn't include items such as produce grown in hoop houses

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WFRP & Micro Farm Recap

BENEFIT: Provides coverage for a wide variety of crops, including crops that may not have individual coverage, under one crop insurance policy.

WFRP

- Covers up to $17 million of revenue
- Post-production costs are not included
- Expected value are primarily based on third-party sources
- Expected yields are based on underlying policies or insured's four-year average
- May purchase additional individual crop policies
  - Must be at buy-up coverage levels
  - Any indemnities from these policies will count as revenue earned under WFRP

Micro Farm

- Less paperwork requirements
- Insures farm operations with approved revenue up to $350,000 for the initial year of insurance & $400,000 for carry-over policies
- Post-production and value-added costs may be included in approved revenue
- Automatically eligible for 80 & 85% coverage
- Expected value are based on the insured's past three-year average of total revenue and acres
- No individual crop policies allowed

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Expansion Adjustments & Help When Bad Years Occur

- Historic revenue is adjusted by:
  - Farm expansion
    - Automatic historical revenue adjustment calculation the accounts for farm growth (Insured may opt out this adjustment)
    - Expanding operations provision allows for up to 35% growth over historic average, for most operations, with insurance company approval
      - For expanding operations due solely to certified organic production, the limit on growth is the higher of 35% or $500,000
  - Options to Account for Bad Years:
    - Revenue Substitution
    - Revenue Exclusion
    - 90% Cup on Approved Revenue

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What information is required?

- WFRP
  - Five years of farm tax forms
    - For 2023, requires tax forms from 2017-2021 (calendar & early fiscal year filers) 2016-2020 (late fiscal year filers)
      - Exceptions: Veteran/Beginning Farmers or Ranchers (VFR/BFR) or applicants that qualified as a VFR/BFR in the previous year, qualifying persons not required to file a US Tax Return (i.e., Tribal Entities), and producers that were physically unable to farm one year
- Micro Farm
  - At least three years of farm tax forms
    - For 2023, requires tax forms from 2020-2022 (calendar & early fiscal filers) 2019-2021 (late fiscal filers)

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What information is required?

- Information about what will be produced on the farm during the insurance period (WFRP)
- Total Revenue and acreage for the last three years (Micro Farm)
  - Used to complete the Intended Farm Operation Report
- Other information as applicable, such as:
  - Supporting records (if requested), organic certification, inventory, or accounts receivable information
- **Expense reporting is no longer required for WFRP**
  - 2023 change made in effort to reduce paperwork burden

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What is the timeline for WFRP – Micro Farm?

- Sales generally begin by September 1
- Last day to purchase: Sales Closing Date
  - Late fiscal year filers (all counties) – Nov 20
  - County specific date - Jan 31, Feb 28, or Mar 15
  - Intended Farm Operation Report is completed
- Revised Farm Operation Report Due
  - Jul 15 for all insureds

What is the timeline for WFRP & Micro Farm?

- Billing date
  - Aug 15 for all insureds
- Final Farm Operation Report completed earlier of:
  - Time of loss determination; or
  - Next Policy Year's Sales Closing Date
    - If not completed-limited to 65% coverage the next year

Other facts to understand about WFRP & Micro Farm

- WFRP & Micro Farm covers revenue "produced" in the insurance period
  - A commodity not harvested or sold will count as revenue
  - A commodity grown last year and sold this year will not be covered
  - For commodities that grow each year, like cattle, only the growth for the insurance year counts. (i.e., Calves worth $800 at beginning of the year and to be sold at $2,000, the value insured will be $1,200)
  - Inventories and Accounts Receivable are used to determine the "produced" amounts

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Other facts to understand about WFRP & Micro Farm

- Expected prices for Direct Marketed commodities under WFRP and for commodities under Micro Farm are determined by the previous three-year average of allowable revenue and acreage for all commodities produced on the farm operation:
  - Post-production and value-added revenue may be included in allowable revenue and expected prices under Micro Farm.

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Other facts to understand about WFRP

- Prices and yields used to value commodities to be grown must meet the expected value and yields guidelines in the policy
  - The values must be what producers can reasonably expect to receive in the local area for the commodity
    - Based, to the extent possible, on third party sources
    - Marketing contracts used at the time they become effective within policy limitations
  - The yields must be what the producers can reasonably expect to produce under normal growing conditions
    - For commodities also covered under another FCIC plan of insurance, the approved yield for the underlying policy.
    - For commodities with no other coverage, the insured's four-year average yield, using replacement yields when allowed by policy

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How do producers buy WFRP & Micro Farm protection?

Purchase through a Crop Insurance Agent:

The agent locator tool on RMA's website:

www.rma.usda.gov/informationtools/agentlocator

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Questions?

- WFRP Team Contacts:
  - Lane Webb - lane.webb@usda.gov
  - Griffin Schnitzler – griffin.schnitzler@usda.gov
  - WFRP Team – rma.wfrp@usda.gov

- Topeka Regional Office Contacts:
  - Jeff Darrow - jeff.darrow@usda.gov
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WFRP

Micro Farm