

Neugebauer Amendment to the Crop Insurance Title

The Neugebauer Amendment gives farmers the option to purchase supplemental area-based crop insurance coverage in addition to their individual yield or revenue policy in order to provide additional risk protection in disaster situations.

AMENDMENT TO H.R. 2419
OFFERED BY MR. NEUGEBAUER OF TEXAS

At the appropriate place in the bill, insert the following new section:

1 **SEC. ____ . AVAILABILITY OF SUPPLEMENTAL CROP INSUR-**
2 **ANCE BASED ON AREA YIELD AND LOSS PLAN**
3 **OF INSURANCE OR AREA REVENUE PLAN OF**
4 **INSURANCE.**

5 (a) IN GENERAL.—Section 508(e) of the Federal
6 Crop Insurance Act (7 U.S.C. 1508(e)) is amended by
7 adding at the end the following new paragraph:

8 “(11) SUPPLEMENTAL AREA COVERAGE.—

9 “(A) AVAILABILITY OF COVERAGE.—Not-
10 withstanding paragraph (4), if area coverage is
11 available in an area (as determined by the Cor-
12 poration under paragraph (3)), the Corporation
13 shall provide eligible producers in that area
14 with the option to purchase supplemental insur-
15 ance coverage based on—

16 “(i) an area yield and loss plan of in-
17 surance; or

1 “(ii) an area revenue plan of insur-
2 ance that includes coverage for a loss in
3 yield.

4 “(B) ELIGIBLE PRODUCERS.—To be eligi-
5 ble to obtain supplemental coverage under this
6 paragraph, a producer must purchase either an
7 individual yield and loss plan of insurance or a
8 revenue plan of insurance that includes cov-
9 erage for a loss in yield at an additional cov-
10 erage level for the same crop to be covered by
11 the supplemental coverage.

12 “(C) LIMITATION.—In providing supple-
13 mental coverage to a producer under this para-
14 graph, the sum of the following shall not exceed
15 100 percent:

16 “(i) The coverage level expressed in
17 percentage terms for the individual yield
18 and loss plan of insurance or the revenue
19 plan of insurance that includes coverage
20 for a loss in yield that is purchased by the
21 producer for the same crop covered by the
22 supplemental coverage, as required by sub-
23 paragraph (B).

24 “(ii) The share expressed in percent-
25 age terms of the area yield and loss plan

1 of insurance or the area revenue plan of
2 insurance (at whatever coverage level is se-
3 lected) that is used to determine the level
4 of supplemental insurance coverage pro-
5 vided the producer under this paragraph.

6 “(D) PAYMENT OF PORTION OF PRE-
7 MIUM.—As provided in subsection (e), the Cor-
8 poration shall pay a portion of the premium for
9 supplemental coverage under this paragraph
10 and the associated individual area yield and loss
11 plan of insurance or revenue plan of insurance
12 that includes coverage for a loss in yield.

13 “(E) AMOUNT OF INDEMNITY PAID UNDER
14 SUPPLEMENTAL COVERAGE.—The indemnity
15 payable under supplemental coverage provided
16 under this paragraph shall be calculated as—

17 “(i) the total indemnity for the area
18 yield and loss plan of insurance or area
19 revenue plan of insurance, at the coverage
20 level chosen by the producer; multiplied by

21 “(ii) the share of the coverage of the
22 area yield and loss plan of insurance or
23 area revenue plan of insurance selected by
24 the producer.

1 “(F) SPECIAL RULE RELATING TO QUALI-
2 FYING LOSSES.—In the case of a qualifying loss
3 in an area (as determined by the Corporation)
4 under supplemental coverage provided under
5 this paragraph, subject to the applicable cov-
6 erage limits, the total amount of the indemnity
7 shall be available to the producer regardless of
8 the loss incurred under the individual yield and
9 loss plan of insurance or the revenue plan of in-
10 surance that includes coverage for a loss in
11 yield of the producer.

12 “(G) REINSURANCE YEAR.—Subject to the
13 availability of area yield and loss or revenue
14 coverage for an insurable crop in an area (as
15 determined by the Corporation), the Corpora-
16 tion shall provide supplemental coverage under
17 this paragraph not later than the 2008 reinsur-
18 ance year.”.

19 (b) CONFORMING AMENDMENTS.—Section 508(d)(2)
20 of the Federal Crop Insurance Act (7 U.S.C. 1508(d)(2))
21 is amended—

22 (1) by striking “additional coverage” in the
23 matter preceding subparagraph (A) and inserting
24 “additional and supplemental coverages”; and

1 (2) by adding at the end the following new sub-
2 paragraph:

3 “(C) In the case of supplemental coverage
4 provided under subsection (c)(11) that, in com-
5 bination with either the individual yield and loss
6 coverage, or a comparable coverage for a policy
7 or plan of insurance that is not based on indi-
8 vidual yield and does not insure more than 100
9 percent of the recorded or appraised average
10 yield indemnified at not greater than 100 per-
11 cent of the expected market price, the amount
12 of the premium shall—

13 “(i) be sufficient to cover anticipated
14 losses and a reasonable reserve; and

15 “(ii) include an amount for operating
16 and administrative expenses, as determined
17 by the Corporation, on an industry-wide
18 basis as a percentage of the amount of the
19 premium used to define loss ratio.”.

20 (c) OFFSET.—The Federal Crop Insurance Corpora-
21 tion shall take such actions, including the establishment
22 of adequate premiums, as are necessary to improve the
23 actuarial soundness of Federal multiperil crop insurance
24 to achieve, on and after October 1, 2008, an overall pro-
25 jected loss ratio of not greater than 1.00.