

with little time to evaluate policy options. For this reason, two grower associations recommended a later sales closing date than September 30 be established for winter wheat in the Pacific Northwest. Seeding starts in September and ends in October. One association recommended an October 31 sales closing date but would accept an October 15 sales closing date. Another recommended the sales closing date be changed to 30 days after price release or October 31.

*Response.* All policy changes must be made by the contract change date, which is at least 90 days prior to the sales closing date. All price elections are also released prior to the sales closing date. Moving the sales closing date 30 days later, when planting is almost complete, would result in adverse selection as producers would have additional knowledge of growing conditions at that point. Therefore, no change has been made.

*Comment.* A growers association recommended making the increased premium subsidy permanent after the 2000 crop year.

*Response.* Section 508(e) of the Act provides for increased subsidies that are applicable each year unless Congress acts to reduce them. Therefore, no change has been made.

*Comment.* A growers association recommended keeping Option A and Option B at the current percentages rather than the proposed percentages. A reinsured company also disagreed with the changes to Option A and Option B as these changes will not be popular with the insureds. The company does not know of any change to Option A that would make insureds select this option. It states that reducing the coverage for Option B is a mistake since companies, Congress and special interest groups have worked hard to improve coverage for farmers, not decrease coverage. The company also stated that, in the past, Option B with the MPCI policy has worked well for insureds and the insureds believe they have a positive coverage. Another reinsured company supported the change of Option B coverage from 100 percent to 70 percent because it believed the coverage provided by the option was too lucrative and that it was abused. This company also stated that by reducing Option B and increasing Option A the coverage becomes similar and that it might reduce confusion by offering a single option.

*Response.* FCIC agrees it is confusing to have two options and that option A has not been popular with producers. Therefore Option A has been removed from the final rule. FCIC also agrees

with the comments that recommend retaining 100 percent coverage under Option B (now the only option) and has revised the proposed provisions accordingly. One hundred percent coverage is being retained to keep a more meaningful level of coverage in place, particularly when the indemnity for the first crop, winter wheat, may be reduced if a second crop is planted.

*Comment.* Two reinsured companies recommended that the coverage under Option A and B be provided when 20 percent of the insured planted acreage in the unit is damaged rather than the current requirement of 20 acres or 20 percent of the acreage in the unit. They state that this change will be consistent with language in the replanting payment section of the Basic Provisions.

*Response.* FCIC agrees that the replant provision in the Basic Provisions of the Common Crop Insurance Policy refers to at least the lesser of 20 acres or 20 percent of the insured planted acreage in the unit. The provision has been revised to be consistent with this requirement.

*Comment.* Two reinsured companies recommended the sentence "You may use such acreage for any purpose, including planting and separately insuring any other crop." in both Option A and B, be clarified. If an insured plants back to barley, and barley was not on the policy, and it is past the sales closing date, it could not be insured. Likewise if barley was on the policy already, such acreage would have to be insured per the terms of the policy.

*Response.* FCIC agrees and has clarified the language accordingly.

*Comment.* A grower association commented that under the proposed winter coverage endorsement all winter wheat acreage must be insured, which reduces flexibility of producers who may wish to have the endorsement for one tract of land but not for another. The association recommended additional endorsements be made available at the option of the producer for additional premium.

*Response.* This change would allow insureds to select insurance on acreage with a higher likelihood of loss. This adverse selection could reduce program integrity and adversely impact premium rates for all producers. Therefore, no change has been made.

*Comment.* A grower association recommended since Option A provides for a coverage increase and an increase in premium, then with coverage being reduced under Option B, the premium should also be reduced.

*Response.* The coverage level under Option B (now the only option) has not changed. However, FCIC does review all

premium rates periodically, and may revise those applicable to the winter coverage endorsement based on those reviews. Option A of the endorsement has been removed for the reasons stated above.

*Comment.* A reinsured company recommended making the Wheat Crop Insurance Winter Coverage Endorsement a part of the Small Grains Crop Provisions to be elected on the application or policy change form as with other crop options or endorsements.

*Response.* The Wheat Crop Insurance Winter Coverage Endorsement is used only in counties for which the Special Provisions designate both fall and spring final planting dates. Making the Wheat Crop Insurance Winter Coverage Endorsement a part of the Small Grains Crop Provisions would increase the amount of paper sent to all producers who have the Small Grains Crop Provisions and might result in confusion for those in counties in which the endorsement is not available. Therefore, no change has been made.

*Comment.* A reinsured company asked that if an insured has selected Option B and elects to destroy the winter wheat and then replant to spring wheat, whether will it be mandatory for the insured to insure the spring wheat. Another reinsured company agrees with the change that requires spring wheat to be insured after winter wheat has been destroyed rather than having an option to do so.

*Response.* The proposed provisions did require the spring wheat to be insured. However, due to the provisions of the Act that reduce indemnities for a first crop when a second crop is planted and has a loss on the same acreage in the same crop year, FCIC has elected to return to previous provisions that allowed producers to elect whether or not they wanted insurance for the spring wheat. Section 11(c) has been amended accordingly.

In addition to the changes described above, FCIC has made the following changes:

1. Revised the definition of "local market price" to specify quality levels for Khorasan, hull-less barley, hull-less oats and buckwheat, and to specify the applicable subclasses for durum and hard red spring wheat.

2. Changed the cancellation date for wheat from October 31 to September 30 in Del Norte, Humboldt, Lassen, Modoc, Plumas, Shasta, Siskiyou, and Trinity Counties, California. This change makes program dates consistent between these Northern California counties and Oregon, which has similar agronomic conditions.