USDA OFFICE OF INSPECTOR GENERAL
U. S. DEPARTMENT OF AGRICULTURE

Federal Crop Insurance Corporation/Risk Management Agency's Financial Statements for Fiscal Years 2021 and 2020

Audit Report 05401-0013-11

November 2021

Federal Crop Insurance Corporation/ Risk Management Agency's Financial Statements for Fiscal Years 2021 and 2020

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OIG audited the financial statements of FCIC/RMA for fiscal years 2021 and 2020.

OBJECTIVE

The objectives of our audits were to review FCIC/RMA's financial statements for fiscal years 2021 and 2020. Specifically, we determined whether: (1) the financial statements present information fairly, in all material respects, and in accordance with generally accepted accounting principles; (2) FCIC/RMA met the internal control objectives over financial reporting; (3) the agency complied with applicable laws and regulations; and (4) information presented was materially consistent with the financial statements.

REVIEWED

We conducted our audits on the information relevant to the audit objectives as obtained through systems or from officials and personnel located at the RMA and Farm Production and Conservation Business Center offices in Kansas City, Missouri.

RECOMMENDS

This report does not contain recommendations.

WHAT OIG FOUND

The Federal Crop Insurance Corporation/Risk Management Agency (FCIC/RMA) received an unmodified opinion from the Office of Inspector General's (OIG) audits of FCIC/RMA's financial statements. We determined that the agency's financial statements present fairly FCIC/RMA's financial position as of September 30, 2021 and 2020 in all material respects, and were prepared in accordance with accounting principles generally accepted in the United States of America. This includes the agency's net costs, changes in net position, and statements of budgetary resources and related notes to the financial statements.

Our consideration of FCIC/RMA's internal control over financial reporting identified no material weaknesses and our consideration of compliance with laws and regulations noted no instances of noncompliance.

USDA OFFICE OF INSPECTOR GENERAL
United States Department of Agriculture

DATE: November 8, 2021

AUDIT NUMBER: 05401-0013-11

TO: Richard H. Flournoy
Acting Administrator
Risk Management Agency

Margo Erny
Chief Financial Officer
Farm Production and Conservation Business Center

ATTN: Kenneth Hill
Performance, Accountability, and Risk Division Director
Farm Production and Conservation Business Center

Gary Weishaar
Branch Chief for the External Audits and Investigations Division
Farm Production and Conservation Business Center

FROM: Gil H. Harden
Assistant Inspector General for Audit

Gil H. Harden

SUBJECT: Federal Crop Insurance Corporation/Risk Management Agency's Financial Statements for Fiscal Years 2021 and 2020

This report presents the results of our audits of the Federal Crop Insurance Corporation/Risk Management Agency's (FCIC/RMA) financial statements for the fiscal years ending September 30, 2021 and 2020. This report contains an unmodified opinion on the financial statements, as well as the results of our assessments of FCIC/RMA's internal control over financial reporting and compliance with laws and regulations. Your response is included in its entirety in Exhibit A.

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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Independent Auditor's Report

The Board of Directors, Federal Crop Insurance Corporation

The Department of Agriculture's Office of Inspector General audited the financial statements of the Federal Crop Insurance Corporation/Risk Management Agency (FCIC/RMA) for fiscal years 2021 and 2020. We also considered FCIC/RMA's internal control over financial reporting and tested FCIC/RMA's compliance with certain provisions of applicable laws, regulations, contracts, and grant agreements that could have a direct effect on the determination of material financial statement amounts and disclosures on these financial statements.

Exhibit A presents FCIC/RMA's response in its entirety.

Report on the Financial Statements

We have audited the accompanying financial statements of FCIC/RMA, which are comprised of the balance sheets as of September 30, 2021, and 2020, and the related statements of net cost and changes in net position; and the combined statements of budgetary resources for the fiscal years then ended and the related notes to the financial statements (hereinafter referred to as the "financial statements").

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America (U.S.); and the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the U.S.; the standards applicable to financial audits contained in government auditing standards, issued by the Comptroller General of the U.S.; and the Office of Management and Budget (OMB) Bulletin 21-04, *Audit Requirements for Federal Financial Statements.* Those standards and OMB Bulletin 21-04 require that we plan and perform audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. Our audits also included performing such other procedures as we considered necessary in the circumstances.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the Financial Statements

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of FCIC/RMA, as of September 30, 2021 and 2020, and its net costs, changes in net position, and budgetary resources for the years then ended, in accordance with accounting principles generally accepted in the U.S.

Emphasis of Matter

FCIC/RMA's ultimate losses on insurance claims are subject to uncertainty. As a result, losses on insurance claims may differ significantly from the recorded estimate due to differences between expected and actual yields, weather patterns, commodity prices, and economic conditions. Note 8 to the financial statements, "Estimated Losses on Insurance Claims," provides specific details concerning this liability. Our opinion is not modified with respect to this matter.

Other Matters

Interactive Data

Management has elected to reference information on websites or other forms of interactive data outside the financial statements to provide additional information for the users of its financial statements. Such information is not a required part of the basic financial statements or supplementary information required by the Federal Accounting Standards Advisory Board (FASAB). The information on these websites or the other interactive data has not been subjected to any of our auditing procedures, and, accordingly, we do not express an opinion or provide any assurance on it.

Required Supplementary Information

Accounting principles generally accepted in the U.S. issued by the FASAB require that the information in the Management's Discussion and Analysis and Required Supplementary Information (RSI) sections be presented to supplement the basic financial statements. Although the RSI is not a part of the basic financial statements, FASAB considers this information to be an essential part of financial reporting for placing the basic financial statements in appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI in accordance with auditing standards generally accepted in the U.S., which consisted of inquiries of management about the methods of preparing the RSI and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audits of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the basic financial statements as a whole. The Message from Acting Administrator, Risk Management Agency; Table of Contents; RSI; Other Information; and Summary of Financial Statement Audit and Management Assurances are presented for the purpose of additional analysis, and is not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audits of the basic financial statements and, accordingly, we express no opinion and provide no assurance on it.

Other Reporting Required by Government Auditing Standards

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements as of and for the year ended September 30, 2021, we considered FCIC/RMA's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of FCIC/RMA's internal control. Accordingly, we do not express an opinion on the effectiveness of FCIC/RMA's internal control. We did not test all internal controls relevant to operating objectives as broadly defined by the Federal Managers' Financial Integrity Act of 1982 (FMFIA).

Our consideration of internal control was for the limited purposes described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses, and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of FCIC/RMA's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

OMB Bulletin 21-04 requires us to describe significant deficiencies and material weaknesses identified during our audit, and, in the event that no material weaknesses were identified, to so report. We did not identify any deficiencies in internal control that were considered to be material weaknesses during our audit.

Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements

As part of obtaining reasonable assurance about whether FCIC/RMA's financial statements as of and for the year ended September 30, 2021, are free of material misstatement, we performed tests of its compliance with certain provisions of applicable laws, regulations, contracts, grant agreements, and Governmentwide policy requirements—noncompliance with which could have a direct effect on the determination of material financial statement amounts and disclosure in the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

We also performed tests of FCIC/RMA's compliance with certain provisions referred to in Section 803(a) of the Federal Financial Management Improvement Act of 1996 (FFMIA). Providing an opinion on compliance with FFMIA was not an objective of our engagement and, accordingly, we do not express such an opinion. The results of our tests of FFMIA disclosed no instances in which FCIC/RMA's financial management systems did not substantially comply with FFMIA.

Management's Responsibility for Internal Control and Compliance

FCIC/RMA's management is responsible for: (1) evaluating the effectiveness of internal control over financial reporting based on criteria established under FMFIA; (2) providing a statement of assurance on the overall effectiveness of internal control over financial reporting; (3) ensuring FCIC/RMA's financial management systems are in substantial compliance with FFMIA requirements; and (4) ensuring compliance with other applicable laws, regulations, contracts, and grant agreements.

Auditor's Responsibilities

We are responsible for: (1) obtaining a sufficient understanding of internal control over financial reporting and compliance to plan the audit; (2) testing whether FCIC/RMA's financial management systems substantially comply with FFMIA requirements referred to above; and (3) testing compliance with certain provisions of laws, regulations, contracts, and grant agreements that have a direct effect on the determination of material amounts and disclosure in the financial statements.

We did not evaluate all internal controls relevant to operating objectives as broadly established by FMFIA, such as those controls relevant to preparing statistical reports and ensuring efficient operations. We limited our internal control testing to controls over financial reporting and compliance. Because of inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements due to fraud or error.

We did not test compliance with all laws, regulations, contracts, and grant agreements applicable to FCIC/RMA. We limited our tests of compliance to certain provisions of laws, regulations, contracts, and grant agreements that have a direct effect on the determination of material amounts and disclosure in the financial statements that we deemed applicable to FCIC/RMA's financial statements for the fiscal year ended September 30, 2021. We caution that noncompliance may occur and not be detected by these tests.

Management's Response

Management's response to the report is presented in Exhibit A. We did not audit FCIC/RMA's response and, accordingly, we express no opinion on it.

Purpose of the Report on Internal Control Over Financial Reporting and the Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements

The purpose of the "Report on Internal Control Over Financial Reporting" and the "Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements" sections of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of FCIC/RMA's internal control or on compliance. These reports are an integral part of an audit performed in accordance with government auditing standards in considering FCIC/RMA's internal control and compliance. Accordingly, these reports are not suitable for any other purpose.

Gil H. Harden
Assistant Inspector General for Audit
Washington, D.C.
November 5, 2021

Abbreviations

FASAB........................ Federal Accounting Standards Advisory Board
FCIC/RMA .... Federal Crop Insurance Corporation/Risk Management Agency
FFMIA .... Federal Financial Management Improvement Act of 1996
FMFIA .... Federal Managers' Financial Integrity Act of 1982
OIG .... Office of Inspector General
OMB .... Office of Management and Budget
RSI .... Required Supplementary Information
U.S. .... United States of America

FCIC/RMA's
Response to Audit Report

United States Department of Agriculture

Farm Production and Conservation Business Center

Risk Management Agency

1400 Independence Avenue, SW
Stop 0801
Washington, DC
20250-0501

November 5, 2021

TO: Gil H. Harden
Assistant Inspector General
USDA

FROM: Margo E. Erny
Chief Financial Officer
Farm Production and Conservation

MARGO ERNY

Digitally signed by MARGO ERNY
Date: 2021.11.05 09:57:30 -04'00'

SUBJECT: Federal Crop Insurance Corporation/Risk Management Agency (FCIC/RMA) Audit Report Response

We have reviewed the OIG Independent Auditors' Report dated November 5th, 2021. We are very pleased with the Auditors' unmodified opinion on FCIC/RMA's Fiscal Year (FY) 2021 and 2020 consolidated financial statements.

I would like to express my appreciation for the cooperation and professionalism displayed by your staff and your contract auditors during this audit.

Please feel free to reach out to Kathleen Carroll at (816)400-5654 if you have any questions.

FCIC/RMA's Fiscal Years 2021 and 2020 Financial Statements Prepared by FCIC/RMA

FEDERAL CROP INSURANCE CORPORATION/ RISK MANAGEMENT AGENCY FINANCIAL STATEMENTS FISCAL YEARS 2021 AND 2020

Message from Richard Flournoy, Acting Administrator, Risk Management Agency

Mission of The Risk Management Agency
Serving America's agricultural producers through effective, market-based risk management tools and solutions to strengthen the economic stability of agricultural producers and rural communities.

On behalf of the Risk Management Agency (RMA), it is my pleasure to present this comprehensive financial report detailing the exceptional work of the agency and its employees for the past two years. The above-stated mission of the agency is further enhanced by RMA's strategic goal of maximizing the ability of American agricultural producers to prosper by feeding and clothing the world. The objective is to provide an effective financial safety net for farmers and ranchers to sustain economically viable agricultural production and support rural jobs and economic growth.

Crop insurance is a vital part of the farm safety net. RMA manages the Federal Crop Insurance Program, which provides effective, market-based risk management tools to strengthen the economic stability of agricultural producers. RMA continued to focus efforts to raise awareness and make improvements to existing programs that help producers to better manage their risk. RMA worked with Approved Insurance Providers (AIPs), agents, and stakeholder groups to respond to multiple disasters throughout the past three years.

RMA also continues to improve coverage for specialty crop producers through program expansion, making improvements to existing programs such as Whole Farm Revenue Protection, and pursuing new forms of coverage such as the Production and Revenue History pilot program. In addition, the 2018 Farm Bill recognized the importance of crop insurance in addressing disasters by directing RMA to develop coverage that specifically addresses hurricanes. RMA implemented the new hurricane policy for the 2020 hurricane season, and around $750 million in coverage was purchased in the first year with the second year expected to exceed $1 billion.

Overall, total liability in the program was more than $150 billion on more than 444 million acres for crop year 2021.

Of the more than one million policies in effect, RMA issued over 13,000 written agreements. Written agreements are manually underwritten policies that offer coverage not available in the county or offer specific improved coverage or terms. This process provides significant flexibility, which covered over $995 million, of the total $150 billion in liability for our nation's farmers annually. This process also naturally identifies changing farming practices and crops grown in areas ensuring that our program is adaptive and effective.

In fiscal year 2021, RMA expanded its program compliance reviews to improve program integrity. In an ongoing effort to identify and reduce errors, RMA conducted reviews of the Annual Forage and Dual Use plans of insurance and initiated a review of the Dairy Revenue Program in light of its increased participation. Compliance also continued spot checks of prevented planting claims, Whole Farm Revenue Policies and tobacco policies. These program reviews help RMA recover overpayments while creating awareness of potential program vulnerabilities.

The Federal Crop Insurance Corporation's (FCIC) financial statements report the financial positions for both 2021 and 2020 fiscal years, net costs of operation, changes in net position, and status of budgetary resources. Financial management performance measures also accompany the financial results. These performance measures include the annual results and the strategic targets.

The Federal Crop Insurance Corporation/Risk Management Agency (FCIC/RMA) received an unmodified opinion from the Office of the Inspector General's (OIG) audits of FCIC/RMA's financial statements. It was determined that the agency's financial statements present fairly FCIC/RMA's financial position as of September 30, 2020 and 2019 in all material respects and were prepared in accordance with accounting principles generally accepted in the United States of America. This includes the agency's net costs, changes in net position, and statements of budgetary resources and related notes to the financial statements.

Consideration of FCIC/RMA's internal control over financial reporting identified no material weakness in FCIC/RMA's controls. Consideration of compliance with laws and regulations noted no instances of noncompliance.

Thank you for your interest in RMA and FCIC. I commend the employees of the Risk Management Agency for their outstanding work and am proud to share this information with our stakeholders.

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SECTION 1: MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

MISSION

Risk Management Agency's (RMA) mission is serving America's agricultural producers through effective, market-based risk management tools to strengthen the economic stability of agricultural producers and rural communities. To carry out this mission, RMA operates and manages the Federal Crop Insurance Corporation (FCIC).

FCIC provides crop insurance and risk management strategies to American producers. Private sector insurance providers, approved by FCIC, sell and service the policies. RMA develops and/or approves premium rates, administers the premium and expense subsidies, approves and supports products, and reinsures the AIPs. In addition, RMA sponsors educational programs and seminars on risk management.

History & Enabling Legislation

FCIC is a wholly owned government corporation established February 16, 1938 by the Federal Crop Insurance Act (7 U.S.C. 1501) and amended by the following:

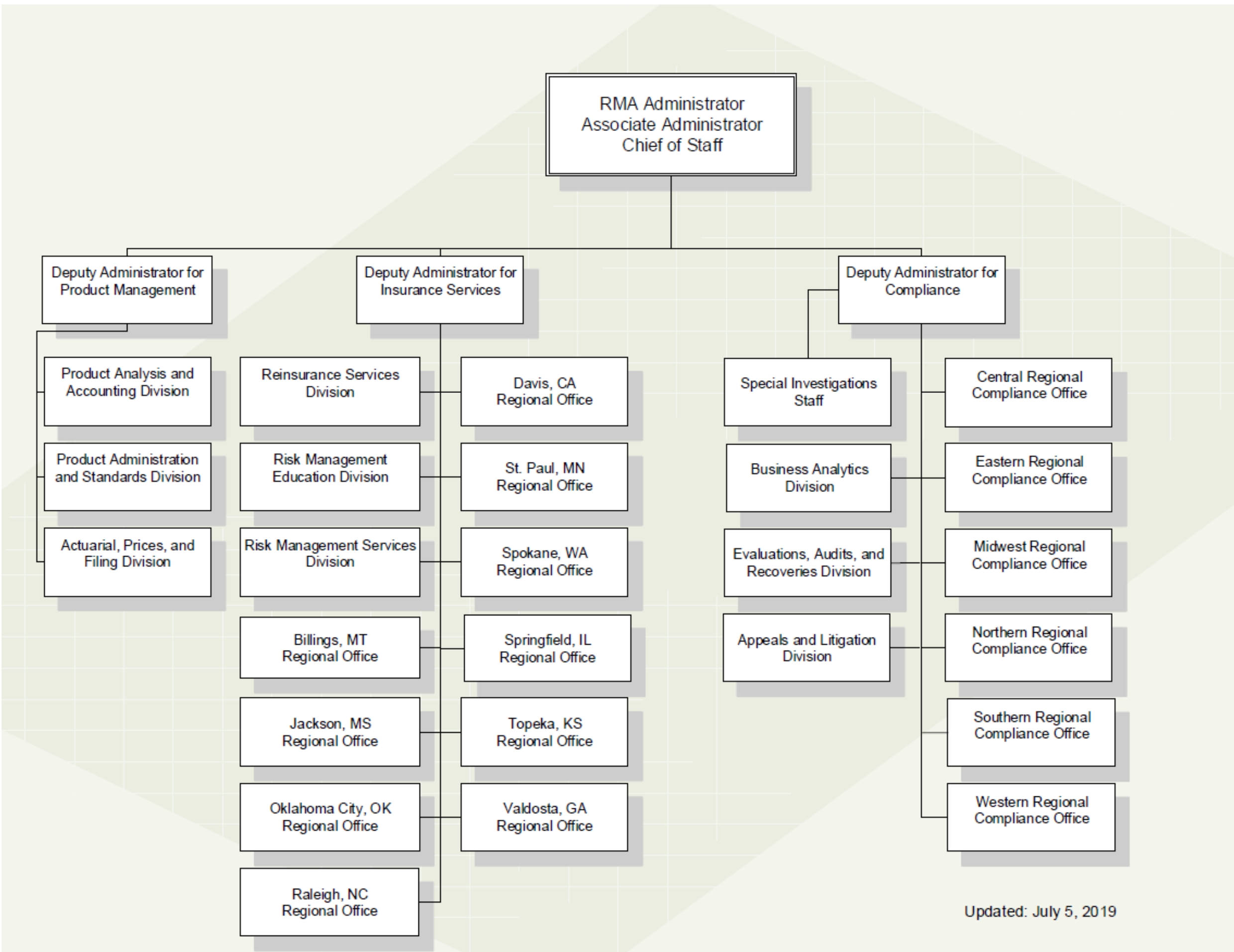
- Federal Crop Insurance Act of 1980
- Federal Crop Insurance Reform and Department of Agriculture Reauthorization Act of 1994
- Federal Agriculture Improvement and Reform Act of 1996 (established RMA)
- Agriculture Research, Extension & Education Reform Act of 1998
- Agriculture, Rural Development, Food & Drug Administration, & Related Agencies Appropriations Act of 1999
- Agriculture Risk Protection Act of 2000
- Food, Conservation, and Energy Act of 2008
- Agricultural Act of 2014
- The Agriculture Improvement Act of 2018
- Additional Supplemental Appropriations for Disaster Relief Act, 2019
- Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 2021

The Federal Crop Insurance Act, as amended, is hereafter referred to as the Act.

ORGANIZATIONAL STRUCTURE

RMA employs approximately 392 people in offices around the country. Richard Flournoy is the Acting RMA Administrator and Manager of FCIC. The Agency has three divisions: Insurance Services, Product Management, and Compliance. Insurance Services is responsible for program delivery (for example, managing contracts with the companies that sell and service policies), and local program administration and support. Product Management is responsible for overseeing product development and program operations. Compliance monitors program integrity and adherence to program provisions by both producers and private insurance companies that participate in the program.

ORGANIZATIONAL CHART

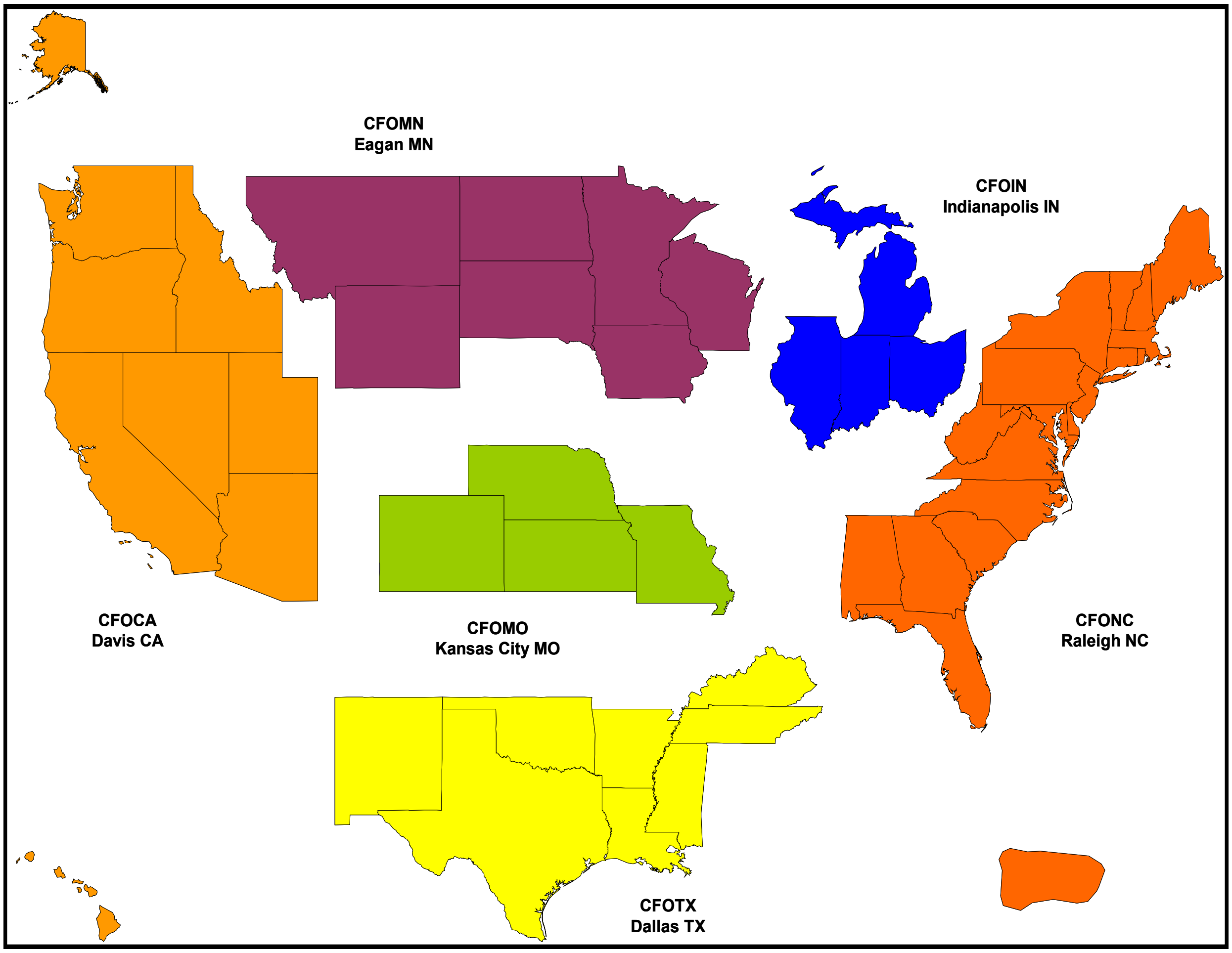


RMA Office Locations

RMA is headquartered in Washington, DC. There is a National Operations office located in Kansas City, MO. In addition, there are six Compliance offices and ten Insurance Services Regional offices located throughout the country, as shown in the table below.

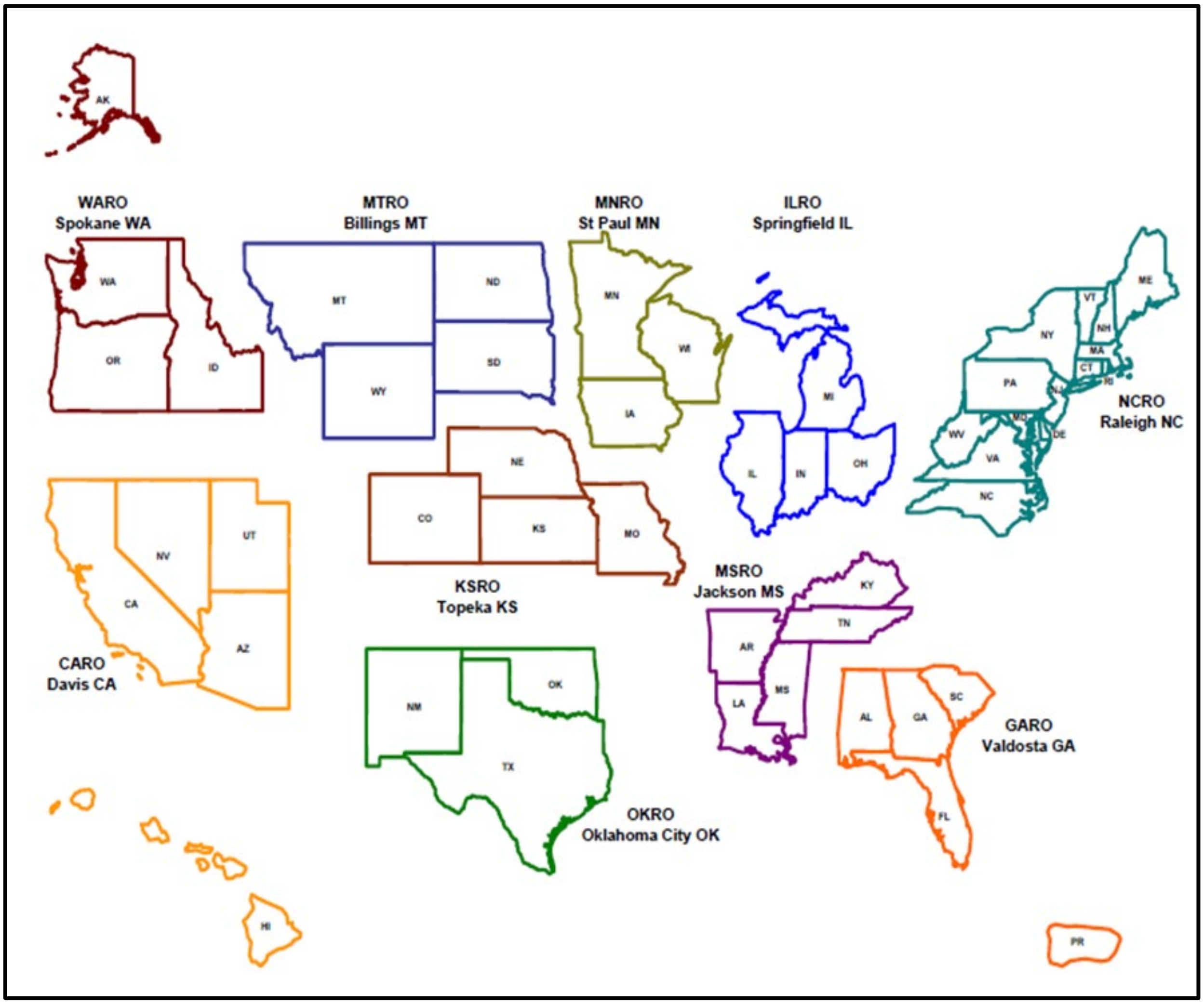
Regional Compliance Offices locations

- Raleigh, NC
- Davis, CA
- Eagan, MN
- Indianapolis, IN
- Kansas City, MO
- Dallas, TX



Insurance Services Regional Office locations

- Raleigh, NC
- Davis, CA
- St. Paul, MN
- Springfield, IL
- Topeka, KS
- Billings, MT
- Jackson, MS
- Oklahoma City, OK
- Spokane, WA
- Valdosta, GA



ORGANIZATIONAL FUNCTIONS

Board Members

Board members include: Dr. Seth Meyer, Richard Flournoy, Michael J. Clemens, Scott Silveus, Rickey L. Bearden, Pat Swanson, Nicole Berg, and Kenneth Selzer

Program Administration

The Board of Directors is the decision-making body for FCIC. FCIC Board of Directors is subject to the general supervision of the Secretary of Agriculture (Secretary). The Board includes three members from the United States Department of Agriculture (USDA). They are the USDA Chief Economist (Chairman); the USDA Under Secretary for Farm Production and Conservation; and the Risk Management Agency Administrator (non-voting) who serves as the Manager. In addition, there are four producers who are policyholders, one of whom grows specialty crops; an individual involved in the insurance industry; and an individual knowledgeable about reinsurance or regulation.

Office of the Administrator

The Office of the Administrator provides overall leadership and management for the agency. The Office of the Administrator promotes the agency mission to serve America's agricultural producers through effective, market-based risk management tools to strengthen the economic stability of agricultural producers and rural communities.

Product Management

Product Management designs, develops, tests, reviews, implements, and maintains the risk management strategies, programs, policies, regulations, actuarial and underwriting methodologies, and business requirements analysis needed to ensure that federally administered crop and livestock insurance products are actuarially sound and provide an effective financial safety net for America's farmers and ranchers. Product Management is also responsible for the financial oversight of AIPs as well as processing the program receipts and expenditures including AIP reimbursement and escrow funding.

Insurance Services

Insurance Services provides financial security to the agricultural community by providing effective, real-time risk management solutions and understanding of RMA programs which have been tailored to meet the needs of producers at a local level. Specifically, Insurance Services conducts program reviews, program maintenance, program evaluation, underwriting activities (rates, coverage levels, yields), stakeholder outreach, and approved insurance provider contract and performance oversight through headquarters staff and ten Regional Offices located across the United States.

Compliance

Compliance safeguards the integrity of the federal crop insurance program through a series of reviews, evaluations, and audits of the crop insurance program. Compliance also conducts operational reviews of AIPs. Compliance is also responsible for oversight of the data-mining processes used to monitor program compliance. Compliance assists in the prosecution of criminal, civil, and administrative actions and refers cases of fraud to the Office of Inspector General as required.

PROGRAMS

FCIC enters into reinsurance agreements with AIPs to market and service policies. The conditions of reinsurance are defined in the Standard Reinsurance Agreements (SRA) between the companies and FCIC. Under these agreements, AIPs agree to deliver insurance products to eligible entities under certain terms and conditions.

AIPs are responsible for customer service and guarantee premium payment to FCIC. FCIC reinsures the policies and provides an administrative and operating expense reimbursement to AIPs for delivery of insurance products.

FCIC provides a subsidy for producers' premiums and funds indemnity payments to producers through escrow accounts. FCIC and AIPs share in underwriting gains or losses.

INSURANCE PLANS AND TYPES

Revenue Policies

Revenue based products protect the producers against loss of revenue due to price fluctuations and yield loss due to natural causes such as drought, excessive moisture, hail, wind, frost, insects, and disease. Types of policies included are:

- Actual Revenue History
- Pecan Revenue Assurance
- Revenue Protection
- Revenue Protection with Harvest Price Exclusion

Actual Production History & Yield Protection Policies

Actual Production History and Yield Protection Policies insure producers against yield losses due to natural causes such as drought, excessive moisture, hail, wind, frost, insects, and disease. If the harvested plus any appraised production is less than the yield insured, the producer is paid an indemnity based on the difference. Types of policies included are:

- Actual Production History
- Yield Protection

Livestock Policies

Livestock policies are designed to insure against declining market prices or declining margins. Coverage is determined using futures and options prices from commodity exchange markets. Types of policies included are:

- Dairy Revenue Protection
- Livestock Risk Protection
- Livestock Gross Margin

Area Policies

Policies in this category are based on the experience of the county rather than individual farms, these policies use: (1) Estimated county yields for insured crops as determined by National Agricultural Statistics Service (NASS); (2) Weather data collected and maintained by the National Oceanic and Atmospheric Administration's Climate Prediction Center; or (3) Weather data collected by the U.S. Geological Survey's Earth Resources Observation and Science. Types of policies included are:

- Area Yield Protection
- Area Revenue Protection
- Area Revenue Protection – Harvest Price Exclusion
- Rainfall Index
- Stacked Income Protection – Revenue Protection
- Stacked Income Protection – Revenue Protection with Harvest Price Exclusion

Other Policies

Policies that do not fall under other groups listed above are combined into this grouping. Examples of policies in this category are dollar amount products based on the cost of growing a crop or policies based on the producer's historical gross revenue to determine loss. Types of policies included are:

- Whole-Farm Revenue Protection
- Aquaculture Dollar Amount of Insurance
- Dollar Amount of Insurance
- Fixed Dollar Amount of Insurance
- Tree Based Dollar Amount of Insurance
- Yield Based Dollar Amount of Insurance
- Margin Protection

For more information on insurance plans visit: https://www.rma.usda.gov/policies/

The chart below shows the 20-year trend in insurance liability and types of insurance.

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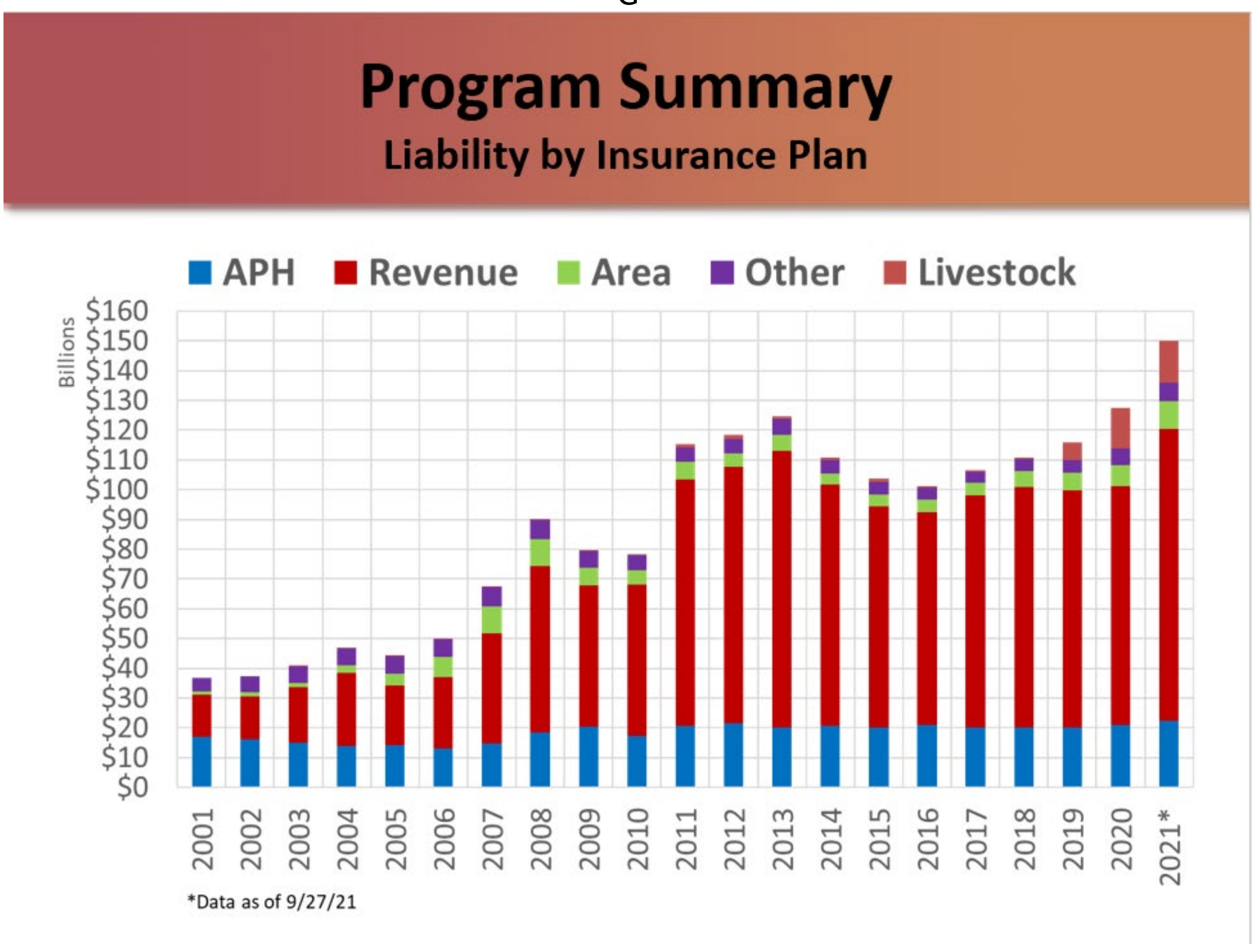


REIMBURSEMENT RATES

FCIC receives an appropriation to reimburse AIPs for their administrative and operating costs. Reimbursement rates are a percentage of premium. The current SRA contains a cap which is indexed for inflation for specific insurance plans and coverage levels. The 2021 reimbursement amount is $1.9 billion. Reimbursement rates are the same for 2021 and 2020 reinsurance years. The table below lists reimbursement rates under the current SRA:

Insurance Plans	Reimbursement Rates (depending on coverage level)
Area Risk	12.0%
Pasture Rangeland and Forage	20.1%
Revenue (Harvest Price Option)	18.5%
Other Additional Coverage	21.9%
Catastrophic Coverage	6.0%

UNDERWRITING GAIN/LOSS

In addition to reimbursement of administrative and operating expenses, FCIC and AIPs enter into agreements on sharing of gains and losses. Under these agreements, FCIC assumes a portion of the loss risk on federal crop insurance policies. The agreements are adjusted annually as part of the AIPs plan of operations. A plan of operations is submitted to RMA and approved prior to the beginning of the reinsurance year. In the plan of operations, AIPs elect methodologies to share risk with FCIC. The plan of operations becomes an appendix to the SRA for each reinsurance year (July 1 through June 30).

SPECIALTY CROPS

Under the Act, FCIC reports to Congress on the progress and expected timetable for expanding crop insurance coverage to new and specialty crops. The Specialty Crop reports serve as a useful way to obtain a quick overview of processes and timelines RMA follows to make new and specialty crop insurance products available to producers. The latest reports are available at https://www.rma.usda.gov/en/Topics/Specialty-Crops.

PILOT PROGRAMS

The Act defines the process by which RMA develops and maintains pilot programs and allows privately developed products to be submitted to FCIC under section 508(h). Private submitters may submit a Concept Proposal for FCIC Board approval. A portion of expected research and development funds may be advanced to create new insurance products. Private submitters may also develop new policies at their own expense and submit these products to FCIC. For FCIC Board approved products, the private submitters may request reimbursement of research and development from FCIC.

PREVENTED PLANTING SUPPLEMENTAL DISASTER PROGRAM

The Prevented Planting Supplemental Disaster Payments Program was authorized by the Additional Supplemental Appropriations for Disaster Relief Act, 2019 (Disaster Relief Act; P.L. 116-20, June 6, 2019). The law provides supplemental appropriations for multiple USDA programs related to recent natural disasters occurring in calendar years 2018 and 2019 under such terms and conditions as determined by the Secretary. The Secretary assigned RMA to oversee the program. Producers participating in Federal crop insurance who received an indemnity payment for reinsurance year 2019 for prevented planting related to excess moisture/precipitation/rain, flood, cold wet weather, storm surge, tornado, volcanic eruption, hurricane/tropical depression, and cyclone and meet certain eligibility requirements will receive a supplemental payment calculated based on all qualified prevented planting payments received for insured crops. The values used for the factors will be 15 percent for those producers with revenue protection except those who select the harvest price exclusion option and 10 percent for those producers who do not have revenue protection. In fiscal year 2020, $60.8 million was assigned. At the end of fiscal year 2021, the remaining obligations for this program was approximately $357,000.

RELIEF DURING COVID-19

RMA took numerous actions to provide relief in the face of the pandemic to ensure crop insurance continued to provide a farm safety net.

- **Extended Crop Insurance Deadlines -** Gave AIPs additional time to submit written agreement requests. Allows policyholders to provide information over the phone.
- **Production Reporting Date -** Allowed AIPs to accept production reports through the earlier of acreage reporting date or 30 days after the production reporting date. Also allowed additional time to accept Regional Office Yield requests.
- **Deferral of Interest on Premiums -** Allowed additional time for policyholders to make payment of premium and administrative fees for early premium billing dates.
- **Self-Certification Replant Inspections & Assignment of Indemnity Witness Waiver -** Allowed self-certification replant inspections for up to 100 gross acres. Waived the witness signature requirement for Assignments.
- **Perennials and Specialty Crops** - Allowed additional time and flexibility for completing inspections for certain perennial and specialty crops. Also allowed written agreement offers to be signed after expiration date.
- **Dumped Milk on Dairy Revenue Protection (DRP) and Livestock Gross Margin (LGM) Dairy** - Authorized AIPs to count dumped milk towards the milk marketing's (DRP) or actual marketing's (LGM). Removed testing requirements for dumped milk under the DRP component pricing option.
- **Certification of Organic Grower Plans** - Allowed policyholders to certify they have requested their organic plan/certificate by the acreage reporting date to meet policy requirement. Organic plan/certificate existence will be verified prior to paying a claim.
- **Extended Acreage Reporting Deadlines** – Extended reconciliation time by 30 days allowing producers to reconcile differences between FSA-578's and crop insurance acreage reports for a full 60 days after the deadline. Further, RMA waived full acreage appraisal requirements for added acreage due to these reconciliations to ease burdens on AIP's and producers.
- **Deferred of Interest on Premiums** - Allowed additional time for policyholders to make payment of premium and administrative fees for the August 15 premium billing date, representing most of the year's premium due.

For more information visit the RMA website at https://www.rma.usda.gov/

PANDEMIC COVER CROP PROGRAM

The Pandemic Cover Crop Program (PCCP) is part of USDA's Pandemic Assistance for Producers initiative, a bundle of programs to bring financial assistance to farmers, ranchers and producers who felt the impact of COVID-19 market disruptions. PCCP provides premium support to producers who insured their spring crop with most insurance policies and planted a qualifying cover crop during the 2021 crop year. The premium support is $5 per acre, but no more than the full premium owed. Qualifying cover crops include all that are reportable to Farm Service Administration including cereals and other grasses, legumes, brassicas and other non-legume broadleaves, and mixtures of two or more cover crop species planted at the same time. The Office of the Secretary assigned $70 million to RMA to administer the PCCP.

PUBLISHED REGULATIONS

RMA periodically updates its regulations by publishing proposed interim, and final rules in the Federal Register. RMA seeks public comment on proposed revisions. Revisions made to regulations improve risk management products available for producers and/or clarify such regulations. During fiscal year 2021, RMA published 6 final rules with request for comments and 3 notices. Published regulations can be found on the Federal Register's website at https://www.federalregister.gov.

PERFORMANCE GOALS OF RMA

In 2018, USDA published its Strategic Plan as an agency-wide USDA Strategic Plan. The following section refers to the USDA Strategic Plan sections (Goals and Objectives) that apply to RMA and the FCIC Program. The Strategic Plan has seven goals with accompanying strategies and performance measures. Strategic Goal 2 and Objective 2.1 refer directly to the FCIC program.

Strategic Goal 2: Maximize the Ability of American Agricultural Producers to Prosper by Feeding and Clothing the World.

Objective 2.1: Provide an Effective Financial Safety Net for Farmers and Ranchers to Sustain Economically Viable Agricultural Production and Support Rural Jobs and Economic Growth.

A strong and prosperous agricultural sector is essential to the well-being of the U.S. economy. America's farmers and ranchers ensure a reliable food supply, support job growth, and promote economic development. To maintain a competitive agricultural sector, RMA will support farmers and ranchers' ability to start and maintain profitable businesses as well as offer financial support to producers affected by natural disasters.

RMA is committed to providing an effective safety net to more than 2 million agricultural producers who provide food and fiber to more than 320 million Americans and millions more around the globe. RMA works to strengthen the economic viability of the agricultural sector by providing eligible producers with risk management tools. FCIC programs help farmers and ranchers manage financial risks associated with commodity price fluctuations and recover from unpredictable weather events.

Federal crop insurance keeps many of our Nation's agricultural producers in business when adverse weather, pests, or low commodity prices cause financial hardships. Risks to these programs include ensuring the actuarial soundness of insurance policies (particularly after high loss years), reducing improper payments, and maintaining the reputation of Federal crop insurance as the primary Federal financial safety net provided to farmers and ranchers. Other risks include changing market conditions (such as periods of steep price declines) and widespread or prolonged natural disasters. RMA manages these and other risks through ongoing reviews of actuarial data, analyzing weather and climate information, data mining for anomalies, and overseeing the private sector insurance companies who sell and service the insurance policies to farmers to ensure that they meet financial and operational standards required to participate in the program.

STRATEGIES

RMA's goal to increase the availability and effectiveness of the program is achieved by:

- Ensuring American agricultural producers are better protected against the inherent risks of weather and price fluctuations,
- Enhancing rural communities' income through indemnity payments to local producers who suffer insured losses, and
- Ensuring American taxpayers' confidence in an actuarially sound insurance program.

RMA's primary performance measure under this goal, as shown in the following table, is the annual normalized value of risk protection provided to agricultural producers through the Federal crop insurance program. By "normalizing" or adjusting the actual value of risk by parameters that smooth out the volatility of crop prices, the value of risk protection provided to producers through the years is shown.

	Baseline 2018	2020 Actual	2021 Actual	2021 Target
Annual normalized value of risk protection	$ 76.8 billion	$ 84.1 billion	$ 87.9 billion	$ 77.9 billion

Additional activities that contribute to the goal of increased availability and effectiveness of the Federal crop insurance program are shown below.

- RMA increased the number of crop insurance offerings with the addition of nearly 30,000 crop-county-programs. This was accomplished through the expansion of existing programs and adoption of new coverages such as the Enhanced Coverage Option (covering 31 crops) and Production and Revenue History for strawberries.
- RMA improved the Whole Farm Revenue Protection program by streamlining revenue reporting requirements for direct marketers, increasing expanded operation limits for organic producers, and increasing the limit of insurance for aquaculture producers.
- RMA revised Enterprise Units for wheat, dry peas, and dry beans to allow units by type.
- RMA is pursuing the expansion of the Production and Revenue History of a pilot program to additional crops and the development of a pilot program for guar (cluster beans).

Crop and Insurance Statistics

Three types of years are referred to in this financial report. The financial statements are for fiscal years, which run from October 1 to September 30. Crop year refers to the year in which a crop is harvested. Reinsurance year is based on the yearly reinsurance agreements with AIPs and runs from July 1 to June 30. Statistics are maintained for policies, farmer-paid premium, premium subsidy, total premium, indemnities, loss ratio, and insurance protection on a crop year basis. General ledger transactions include reinsurance year attributes. Multiple reinsurance years are active each fiscal year.

Federal crop insurance program statistics for standard reinsurance and livestock products are shown below. The indemnities and loss ratios for 2021 are estimated as they are not known at the time the financial statements are prepared.

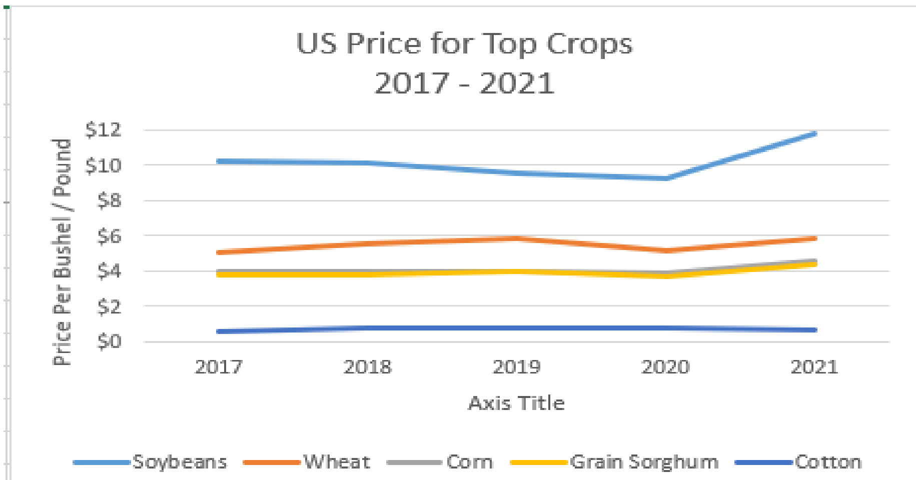
Program Information Comparison	Crop Year 2021 (Estimated)		Crop Year 2020 (Estimated)	
Number of Policies		1.17 million		1.12 million
Farmer Paid Premium	$	5.45 billion	$	3.92 billion
Premium Subsidies	$	8.98 billion	$	6.45 billion
Total Premium	$	14.43 billion	$	10.37 billion
Indemnities	$	13.42 billion	$	9.04 billion
Loss Ratio		93%		87%
Insurance Protection	$	150.12 billion	$	127.42 billion

FCIC insures 131 types of commodities under the Standard and Livestock Reinsurance Agreements for crop year 2021. The top commodities in volume are listed below, with the remaining commodities (pasture, rangeland, forage; apples; almonds; potatoes; beans, milk, etc...) grouped together as All Other. The chart below illustrates premiums on the top five commodities representing 74% of total premium in crop year 2021 and 72% of total premium in crop year 2020.

Crop	Crop Year 2021* (Millions)		Crop Year 2020 (Millions)	
Corn	$	4,977	$	3,509
Soybean	$	3,162	$	2,003
Wheat	$	1,047	$	896
Cotton	$	1,107	$	871
Sorghum	$	273	$	160
All Other	$	3,663	$	2,934
Total	$	14,229	$	10,373

*Approximately 99% of all Premium is known at Sept. 30th, but the total premium will not be known until the next fiscal year.

As noted on the chart above total premiums have increased. The crop prices increased significantly between 2020 and 2021 at acreage reporting dates. Below is the RMA's projected price data for top crops as of acreage reporting dates. The projected prices are different than the final harvest price which is used to calculate indemnities.



Price per Bushel	2017	2018	2019	2020	2021
Soybeans	10.20	10.14	9.57	9.23	11.78
Wheat	5.09	5.55	5.84	5.13	5.83
Corn	3.94	3.93	4.00	3.90	4.58
Grain Sorghum	3.82	3.81	3.94	3.71	4.36
Cotton	0.73	0.75	0.74	0.69	0.81

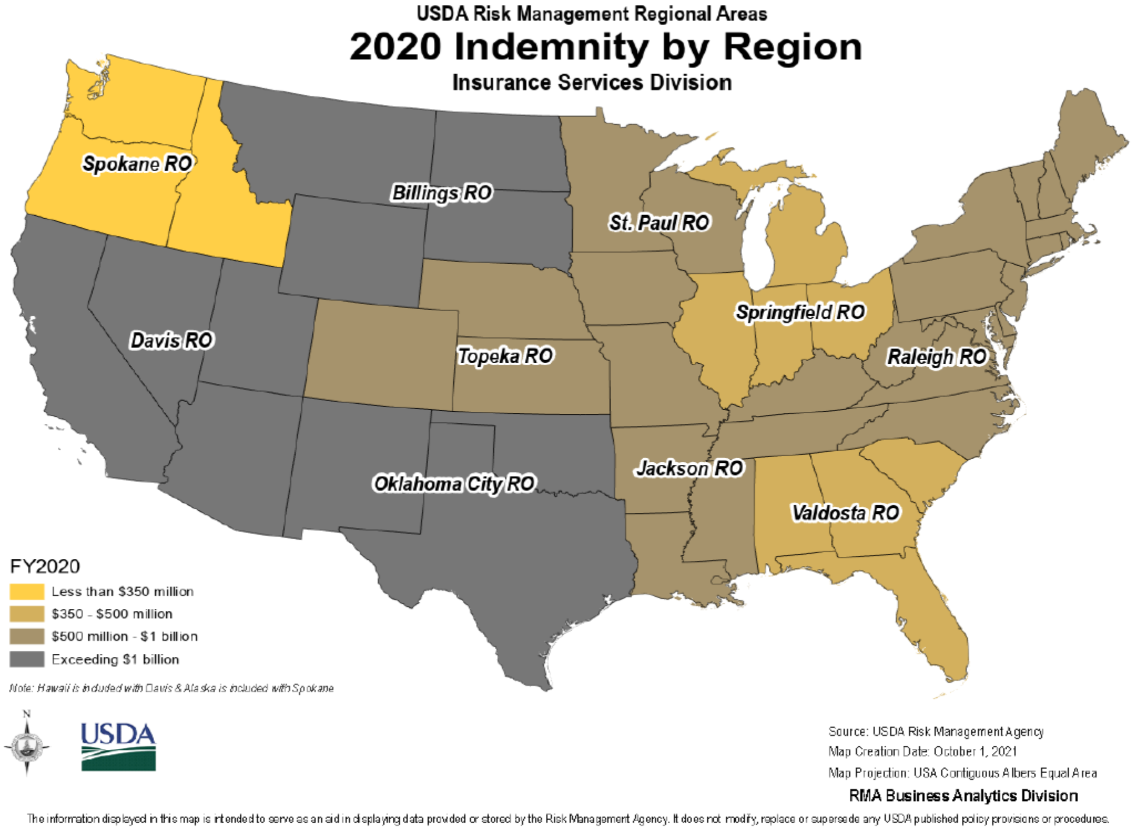
Losses (2020 and 2019 Cause of Loss, Indemnity by Region)

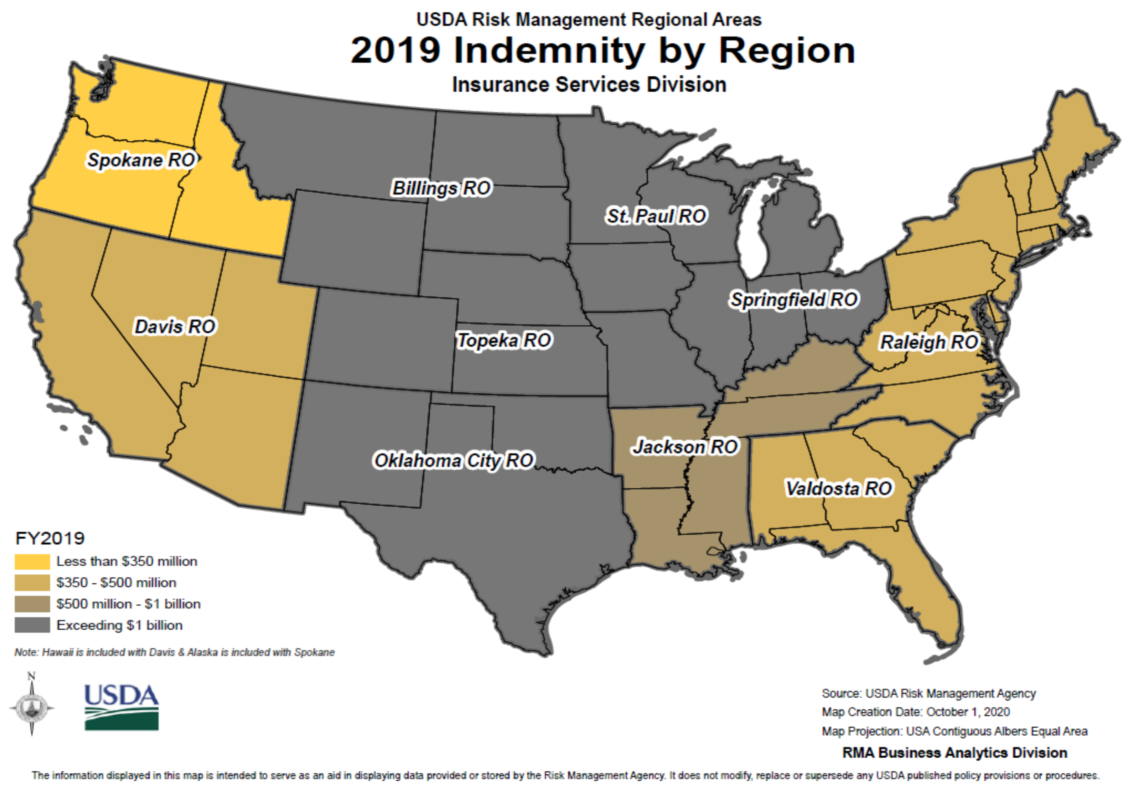
FCIC/RMA issues the annual financial report based on a fiscal year ending September 30. The growing season for the crops that constitute most of FCIC's book of business does not end until October or November. As a result, the majority of losses for a given crop year are paid out in the following fiscal year.

In crop year 2020 the overall loss ratio was 0.87 compared to a loss ratio of 1.04 in crop year 2019. In 2020, the top factor for loss was excess moisture and as it was in 2019.

- In 2020, the top causes of loss were: excess moisture in the Midwest, Northern Plains and South; drought primarily in the Northern and Southern Plains and Southwest; and ARPI/SCO/STAX/MP Crops Only in the Southwest and West.
- In crop year 2019, the top causes of loss were: excess moisture in the Midwest, Northern and Southern Plains and Eastern Regions; drought primarily in the Midwest, Northern and Southern Plains and Eastern Regions; and hail in the Midwest, Northern and Southern Plains.

The following maps show the indemnities reported by region for crop year 2020 and 2019 (primarily paid in fiscal years 2021 and 2020, respectively).





FINANCIAL STATEMENTS HIGHLIGHTS AND ANALYSIS

ASSETS

Funding

RMA maintains four separate funds: The Insurance Fund, Salaries and Expenses (S&E) Fund, Disaster Relief Fund, and the Pandemic Cover Crop Program Fund. The financial statements present all four funds. The Insurance Fund is used to pay for the crop and livestock insurance programs. The funding for the insurance fund is mandatory funding with "such sums as necessary" to carry out the program. The S&E Fund is used to pay RMA's salaries and administrative expenses. The funding for the S&E Fund is an annual appropriation set by Congress. The Disaster Relief Fund, established in FY2019, provides funding for expenses related to recent natural disasters including losses of crops prevented from planting in 2019. The Pandemic Cover Crop Program established in FY2021, provides premium support to producers who insured their spring crop with most insurance policies and planted a qualifying cover crop during the 2021 crop year.

Assets

Fiscal Year 2021 – Assets (millions)		
Fund Balance with Treasury (Note 3)	$	3,974
Cash Held Outside of Treasury (Note 4)	$	217
Accounts Receivable, Net (Note 5)	$	4,340
General Property, Plant and Equipment (Note 6)	$	5

The majority of the assets are Fund Balance with Treasury (FBWT), Cash Held Outside of Treasury (CHOT), and Accounts Receivable (AR). At the end of each fiscal year, RMA returns FCIC unobligated funds excluding the balances for Capital Stock, Paid-in Capital, and the Contingency Fund to the U.S Treasury. In 2021, RMA returned $4.59 billion compared to the $939 million returned in 2020.

FBWT is a cash-like account which represents funds available which have not been disbursed and CHOT consists of amounts funded into escrow accounts for which AIP's indemnity payments have not yet cleared. Together, these two accounts make up the cash held by FCIC.

AR with the public represents premiums from AIPs due to FCIC for crop insurance written by AIPs and reinsured by FCIC. AIPs are responsible for collecting the premium from the producer and paying FCIC, whether or not the premium has been collected from the producer. Premiums are collected at the end of the growing season. As a result, significant amounts of premium are due in the fall, around the end of the fiscal year.

To provide COVID relief, RMA allowed additional time for policyholders to make payment of premium and administrative fees for the August 15 premium billing date, representing most of the year's premium due. The estimated deferred collections in fiscal year 2020 caused a $2.5 billion increase in Accounts Receivable.

In fiscal year 2021, farmers and rancher faced widespread drought conditions in many parts of the nation, causing catastrophic damage to crops. FCIC provided a deferral of the collections of premiums as relief allowing AIPs to defer uncollected premiums until November 30, 2021. The amount of deferment was approximately $3.7 billion.

LIABILITIES

The majority of FCIC/RMA liabilities are estimated. The following table summarizes FCIC/RMA liabilities.

Fiscal Year 2021 – Liabilities (millions)		
Estimated Losses on Insurance Claims (Note 8)	$	9,985
Underwriting Gain (Note 10)	$	3,044
Accounts Payable (Note 7)	$	1,761
Unearned Revenue (Note 11)	$	1,189
Federal Employee Benefits	$	6
Intragovernmental Other Liabilities	$	4
Other Liabilities (Note 9)	$	5

Estimated Losses on Insurance Claims

The Estimated Losses on Insurance Claims make up most liabilities. Estimated losses were calculated based on Statement of Federal Financial Accounting Standards (SFFAS) 51, *Insurance Programs.* The Liability for Unpaid Insurance Claims and Liability for Losses on Remaining Coverage make up the Estimated Losses on Insurance Claims. The claims Incurred but Not Reported (IBNR), the claims reported and not paid, and changes in CHOT make up the Liability for Unpaid Insurance Claims. The Liability for Losses on Remaining coverage as of the end of the reporting period represents the estimated amounts to be paid to settle claims for the remaining open arrangement period in excess of related unearned premiums as of the end of the reporting period.

Estimating Losses

FCIC establishes premium to attain an expected long-term loss ratio of 1.0. The premium cost for policies is determined by evaluating loss experience in the program by county, crop, and pricing to equal projected losses over the long term. Losses are divided into premium to arrive at a loss ratio. A loss ratio of less than 1.0 means there are less losses than premium. Premium includes producer paid premium and premium subsidy. A loss ratio greater than 1.0 means the losses are greater than premium. For the Federal crop insurance program, loss ratios are measured periodically in relation to reinsurance year which runs from July 1 through June 30. The eventual total loss ratio depends on many variables including weather patterns and commodity prices. A projection of total indemnities is made at the end of each fiscal year based on current conditions. Total indemnities will not be known until several months after the end of the fiscal year; therefore, the financial statements are based on a projection.

Uncertainty in Estimating Losses

Estimated losses are calculated as of September 30, 2021. RMA's process for projecting losses is based on the September NASS report which was released on September 10.

There are a variety of additional risk factors that expose FCIC's liability estimates to uncertainty. The growing season for crops that constitute most of FCIC's book of business does not end until October or November. As of September 30, most crop insurance claims that will eventually be attributed to the current reinsurance year have not yet been submitted. A projection of total indemnities is made at the end of each fiscal year based on current conditions. Late season weather conditions and price changes in commodities can significantly impact actual losses. When actual losses are realized, upward or downward adjustments are made and reflected in financial statements of subsequent years.

The table below shows that most losses for a given reinsurance year are realized in future fiscal years. For example, the majority of losses attributed to reinsurance year 2020 were reported and paid in fiscal year 2021.

Reinsurance Year	2021 (est.) (millions)	2020 (millions)
Losses Claimed and Reported in Current Fiscal Year	$ 2,849	$ 3,583
Losses Paid in Subsequent Fiscal Years	10,576	5,446
Total Losses	$ 13,425	$ 9,029

Although FCIC uses an actuarial model to project overall losses, the model is subject to a high level of uncertainty. The difference between the actual and estimated loss ratio has exceeded 10 points in 9 of the last 10 years. In the same time period, the difference between the actual and estimated loss ratio has exceeded 20 points 50% of the time (5 out of 10 years). The relatively high variance of this estimate reflects the large degree of uncertainty inherent in predicting losses before the end of the reinsurance year. Actual loss ratios in the last 10 years have varied from a low of 42% to a high of 157%. The average actual loss ratio for the past ten years was 87%.

The following table is updated as of the end of September 2021 and summarizes premiums and losses by crop year for policies under the Standard Reinsurance Agreement.

Summary of Premium and Losses by Crop Year					
Actual (in Millions)			**Loss Ratio (Percentage)**		
Crop Year	Premiums ($)	Losses ($)	Actual	Projected	Difference
2009	8,951	5,222	58%	66%	8%
2010	7,595	4,254	56%	41%	-15%
2011	11,972	10,869	91%	112%	21%
2012	11,117	17,451	157%	185%	28%
2013	11,808	12,085	102%	76%	-26%
2014	10,073	9,136	91%	74%	-17%
2015	9,769	6,316	65%	84%	19%
2016	9,328	3,913	42%	66%	24%
2017*	10,089	5,445	54%	99%	45%
2018	9,895	7,322	74%	85%	11%
2019	10,128	10,601	105%	91%	-14%
2020	10,067	8,553	85%	81%	-4%
2021 Est.	13,656	2,996		95%	

*Projected loss ratio was adjusted to account for multiple hurricanes in September

Underwriting Gain

Underwriting gain is the AIP portion of earnings on the insurance book of business. A periodic settlement, as stipulated in the SRA, is calculated where the results of business written by AIPs are determined and an experience-rated gain or loss on business ceded from AIPs is computed. The timing of payment to AIPs for reinsurance gains is stipulated by the SRA. Payments to AIPs for net gain is disbursed in the second fiscal year following the reinsurance year.

Accounts Payable

Accounts Payable includes amounts due to AIPs for reimbursement of administrative and operating expenses associated with the delivery of the Federal Crop Insurance Corporations standard reinsurance policies. The program's administrative and operating reimbursement for the standard reinsurance policies has averaged $1.49 billion over the past 10 years. There is a cap stipulated in the SRA that limits administrative and operating reimbursement on most policies.

Unearned Revenue

Premium revenue is comprised of producer paid premium. Producer paid premium is recognized as earned proportionately over each crop's growing season. The portion of producer paid premium not recognized at the conclusion of the fiscal year is classified as insurance and guarantee program liabilities in the balance sheet.

Prevented Planting Supplemental Disaster Relief Program

There was approximately $357,000 of liability at the end of fiscal year 2021. The Prevented Planting Supplemental Disaster Relief Program expired in fiscal year 2021.

Other Liabilities

In fiscal year 2021, Other Liabilities (Note 9) include Intragovernmental of $4 million, and Other Liabilities with the Public of $5 million.

ANALYSIS OF STATEMENT OF NET COST

The following table presents the results of net cost of operations for each fiscal year.

Statement of Net Costs		
Cost	**Fiscal Year 2021 (millions)**	**Fiscal Year 2020 (millions)**
FCIC Program Costs		
Total Intragovernmental Costs	$ 41	$ 58
Indemnities	13,691	9,937
Program Delivery Costs	1,910	1,687
Other Program Costs	75	65
Total Costs	$ 15,676	$ 11,689
Less:		
Premium Revenue	5,100	3,880
Net (Gain)/Loss on Business Ceded from AIPs	(1,489)	(881)
Other Revenue	45	56
Total Revenue	$ 3,656	$ 3,057
Net Cost of Operations FCIC	12,061	8,690
Disaster Relief Program Costs		
Gross Costs with the Public	1	95
Net Cost of Operations Disaster Relief	1	95
Pandemic Cover Crop Program Costs		
Gross Costs with the Public	57	0
Net Cost of Operations Pandemic Cover Crop	57	0
Total Gross Cost	$ 15,775	$ 11,842
Less Total Earned Revenue	(3,656)	(3,057)
Total Net Cost of Operations	$ 12,119	$ 8,785

FCIC's Net Cost of Operations increased $3.33 billion from fiscal year 2020 to fiscal year 2021. The changes in Premium Revenue, Indemnities and Net Gain on Business Ceded to AIPs are the two components impacting the variance in Net Cost of Operations.

The widespread drought, higher commodity prices, and increased participation were factors contributing to the increase in Indemnities in fiscal year 2021. The Net Gain on Business Ceded to AIP's was $608 million more in fiscal year 2021 than fiscal year 2020. The lower loss ratios in the Midwestern states contributed to an overall higher Net Gain on Business Ceded to AIPs in fiscal year 2021.

The Pandemic Cover Crop Program was a new program in fiscal year 2021 and resulted in a $57 million increase in total cost in the same year.

ANALYSIS OF STATEMENT OF BUDGETARY RESOURCES

The following table presents the components of the Statement of Budgetary Resources for each fiscal year.

Statement of Budgetary Resources				
Resource	**Fiscal Year 2021 (millions)**		**Fiscal Year 2020 (millions)**	
Budgetary Resources	$	12,729	$	12,905
New Obligations	$	12,120	$	12,303
Net Outlays	$	6,800	$	10,490

Overall, FCIC had $176 million more in budgetary resources in fiscal year 2020. The budgetary resources are comprised of apportionments, collections from the public, and excess funds returned to Treasury. In fiscal year 2021, FCIC had $494 billion less in apportionments due to more offsetting collections available in the fiscal year. In fiscal year 2021, RMA deferred collection of unpaid producer premium, without interest, by two months in order to provide relief to the producers who excessive drought, causing catastrophic damages to crops. The amount deferred was $3.7 billion.

Net Outlays decreased $3.7 billion in fiscal year 2021 as a result of the higher indemnity payments in fiscal year 2020 caused by (1) widespread flooding and excess moisture in RY2019 and RY2020; (2) nominal disaster relief payments in fiscal year 2021 versus $596 million in fiscal year 2020; and (3) $1.5 billion lower underwriting outlay for the reinsurance year 2019. Also offsetting the higher payments, were a higher-level of collections in fiscal year 2021 that included the RY2020 deferred collections.

SYSTEMS CONTROLS AND LEGAL COMPLIANCE

MANAGEMENT ASSURANCES

FEDERAL MANAGER'S FINANCIAL INTEGRITY ACT (FMFIA) ASSURANCE

The Federal Managers' Financial Integrity Act (FMFIA) requires ongoing evaluation of internal controls and financial management systems. These evaluations lead to an annual statement of assurance that:

- Obligations and costs comply with applicable laws and regulations;
- Federal assets are safeguarded against fraud, waste, abuse and mismanagement;
- Transactions are accounted for and properly recorded; and
- Financial management systems conform to standards, principles and other requirements to ensure that Federal managers have timely, relevant and consistent financial information for decision-making purposes.

RMA operates a comprehensive internal control program. All RMA managers must ensure that their programs operate efficiently and effectively and comply with relevant laws. They must also ensure that financial management systems conform to applicable laws, standards, principles, and related requirements.

RMA remains committed to reducing and eliminating the risks associated with its deficiencies. It also strives to efficiently and effectively operate its programs in compliance with FMFIA, FFMIA, and other applicable laws and regulations.

Based on the results of the evaluations, RMA can provide reasonable assurance that internal controls over financial reporting are in place and operating effectively.

ASSURANCE FOR INTERNAL CONTROL OVER FINANCIAL REPORTING

Management conducted its assessment of the effectiveness of internal control over financial reporting, which includes safeguarding assets and compliance with applicable laws and regulations, in accordance with the requirements of the Office of Management and Budget's (OMB), Circular A-123, Management's Responsibility for Enterprise Risk Management and Internal Control. Based on the results of this evaluation, RMA can provide reasonable assurance that internal controls over financial reporting are in place and operating effectively.

FEDERAL FINANCIAL MANAGEMENT IMPROVEMENT ACT (FFMIA) ASSURANCE

Management has evaluated its financial management systems under FFMIA for the period ended September 30, 2021. Based on the result of our evaluation, the Agency is in substantial compliance with the FFMIA for the following sections:

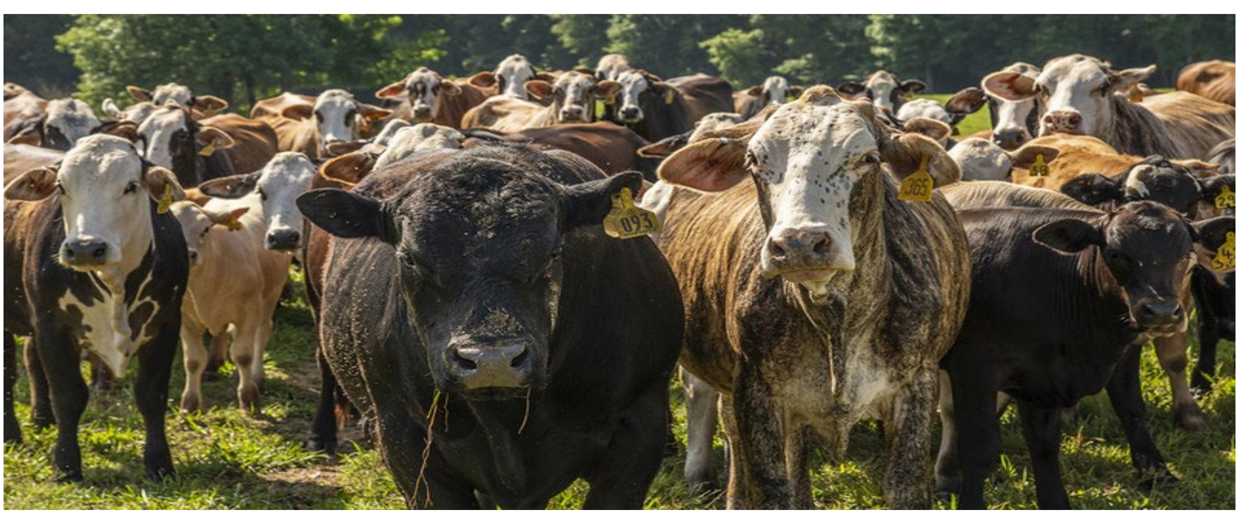
1. Federal Financial Management System Requirements;
2. Applicable Federal Accounting Standards; and
3. United States Standard General Ledger at the Transaction Level

COMPLIANCE WITH LAWS AND REGULATIONS

One non-compliance with laws and regulations was noted.

The Digital Accountability and Transparency Act (DATA Act) was enacted on May 9, 2014. The DATA Act amends the Federal Funding Accountability and Transparency Act of 2006 (FFATA) and requires reporting of all Federal Funds and Financial Assistance and Procurement transactions to a public website. FFATA requires reporting of obligations and award-related information for all Federal financial assistance and procurement awards. The DATA Act expands upon FFATA by adding U.S. Department of the Treasury (Treasury) account level reporting; this includes reporting all Treasury Account Symbols that fund each award and contract transaction, budget authority, program activity, outlays, and budget object classes, among other data elements. The DATA Act also requires the Federal Government to collectively standardize the data elements that will be reportable under the DATA Act.

While RMA is currently reporting under the requirements for DATA Act, there is no process in place to ensure all required data is reported. RMA continues to work closely with USDA OCFO Financial Management Services to ensure the information meets all the standards and formats required.



USDA

United States Department of Agriculture

Risk Management Agency

1400 Independence Ave, SW
Washington, DC 20250-0501

TO: Lynn Moaney
Deputy Chief Financial Officer

THROUGH: Gloria Montaño Greene
Deputy Under Secretary
Farm Production and Conservation

GLORIA MONTANO GREENE Digitally signed by GLORIA MONTANO GREENE Date: 2021.08.20 08:48:03 -07'00'

FROM: Richard Flournoy
Acting Administrator
Risk Management Agency

RICHARD FLOURNOY Digitally signed by RICHARD FLOURNOY Date: 2021.08.13 09:46:08 -05'00'

Margo E. Erny
Chief Financial Officer
Farm Production and Conservation

MARGO ERNY Digitally signed by MARGO ERNY Date: 2021.08.13 10:07:27 -04'00'

SUBJECT: Risk Management Agency's FY 2021 Annual Certification Statement – as of June 30, 2021

This memorandum provides the Risk Management Agency (RMA) assertions to support the Secretary's annual assurances in the *United States Department of Agriculture (USDA) Fiscal Year (FY) 2021 Agency Financial Report*. The assertions included in this statement cover RMA's assessment of the Federal Managers' Financial Integrity Act (FMFIA) and the Federal Financial Management Improvement Act (FFMIA):

- Effectiveness of Internal Control over Operations (FMFIA-Section 2);
- Effectiveness of Internal Control over Reporting (FMFIA-Section 2);
- Compliance with Laws and Regulations (FMFIA-Section 2);
- Conformance with Federal Financial Management System Requirements (FMFIA-Section 4); and
- Compliance with Federal Financial Management System Requirements, Federal Accounting Standards, and the Standard General Ledger at the Transaction Level (FFMIA -Section 803(a)).

RMA managers have assessed the effectiveness of operations based on the following management control reviews completed during FY 2021. Improper payment reviews were performed, and financial reviews were conducted on approved insurance providers. RMA also utilized data mining to identify and review data anomalies. Business processes and general computer controls related to financial reporting were evaluated through Office of Management and Budget (OMB) Circular A-123, Appendix A reviews. An annual assessment was conducted of Entity Level Controls based on each of the Green Book's Components and Principles of internal control. The assessment revealed deficiencies within certain principles, however, the overall system of internal control is designed, implemented and operating effectively in an integrated manner. As part of its efforts to ensure an effective control environment, managers are reminded annually that they are responsible for developing and maintaining effective internal controls. Agency senior leadership also submits an annual certification identifying any internal control weaknesses or instances of non-compliance with laws and regulations. As a result of these activities, RMA is making the following assertions.

A. Federal Managers' Financial Integrity Act Assertions

I. Internal Control over Operations (FMFIA-Section 2)

   a. Management is responsible for developing and maintaining internal control to ensure the effectiveness of operations, reliability of reporting, compliance with applicable laws and regulations, and the safeguarding of assets.
   b. Internal control encompasses accounting and administrative controls. Such controls include program, operational and administrative areas.
   c. Management has conducted its annual evaluations of internal control pursuant to Section 2, for the period ended June 30, 2021.
   d. Based on the results of the evaluations, RMA provides an unmodified statement of assurance that internal controls are operating effectively over operations.
   e. No new material weaknesses, no new significant deficiencies, and no new control deficiencies were identified during FY 2021.

c. Internal Control over Reporting (FMFIA - Section 2)

   a. RMA assessed the effectiveness of internal control over reporting as of June 30, 2021. The assessment followed USDA guidance, OMB Circular A-123, Appendix A (revised) and best practices established by the Department.
   b. The assessment included risk assessments, process descriptions, documentation of key controls, an assessment of the design of key controls, tests of operating effectiveness of properly designed key controls, summary of deficiencies, and the development of corrective action plans for control deficiencies. Key controls in the following processes were tested:
      1. Data Quality Assurance
      2. Daily Escrow Processing
      3. Insurance Monthly Settlement Report
      4. Fund Balance with Treasury
      5. Period End Reporting
      6. Significant Management Estimates
      7. Unobligated Obligation Review

c. Management recognizes its responsibility for monitoring and correcting control deficiencies assessed as outside of its risk tolerance.
d. Management further certifies that there have been no changes in the operation of controls tested from the sample selection date through June 30, 2021.
e. Based on the results of RMA's internal evaluation and the prior year evaluation by RMA's external auditors, RMA provides a modified statement of assurance that internal controls over financial reporting are operating effectively.
f. Based on the results of the evaluations, management confirmed that one material weakness related to Estimated Losses on Insurance Claims identified in the prior year still exists.
g. Corrective action plans have been developed and submitted in ACRT. They are identified on the attached Summary of Reportable Deficiencies chart.

B. Compliance with Laws and Regulations (FMFIA-Section 2)

a. Anti-Deficiency Act
   i. Management has not entered into contracts that exceed the enacted appropriations for the year or purchased services and/or merchandise before appropriations are enacted.
   ii. RMA has maintained compliance with all provisions of law that are associated with the Anti-Deficiency Act.

b. Payment Integrity Information Act of 2019 (formerly Improper Payments Elimination and Recovery Act of 2010, as amended)
   i. Management has reviewed all applicable programs and activities to identify any area susceptible to significant improper payments.
   ii. RMA has maintained compliance with all provisions of law that are associated with the Payment Integrity Information Act of 2010.

c. Additional Supplemental Appropriations related but not limited to the Disaster Relief Act of 2017 and 2019/Bipartisan Budget Act of 2018/Further Additional Supplemental Appropriations for Disaster Relief Requirements Act of 2018
   i. RMA has not expended all funding associated with the Wildfire and Hurricane Indemnity Program that RMA received as part of an internal apportionment from USDA's Office of the Secretary.
   ii. RMA has established appropriate policies and controls, and corrective actions have been taken to mitigate the risk of fraud and inappropriate spending practices regarding

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activities and expenses related to emergency supplemental/disaster funding for the Wildfire and Hurricane Indemnity Program.

iii. Management has not identified significant deficiencies associated with the management of emergency supplemental/disaster relief funding.

d. Families First Coronavirus Response Act (FFCR Act)/Coronavirus Aid, Relief, and Economic Security Act (CARES Act)/American Rescue Plan Act (ARPA) of 2021.

   i. This is not applicable to RMA.

e. Data Act Reporting for USAspending.gov

   i. RMA did not complete data quality compliance testing. RMA does not provide assurance that data integrity processes and controls for Files A, B, C, D1 and D2 align with OMB Circular A-123, are designed effectively, implemented, and operating effectively for all reported data with the exceptions below. This includes controls over agency financial systems, award management systems, and procurement data reported to the Federal Procurement Data System – Next Generation (FPDS-NG).

   ii. Based on OMB Circular A-123, Appendix A testing, a design deficiency was noted regarding the fact that processes are not in place to ensure that all required data is reported.

   iii. The associated corrective action plans to become compliant are described in the attached Summary of Reportable Deficiencies chart.

f. Government Charge Card Abuse Prevention Act

   i. RMA has established appropriate policies and controls and corrective actions have been taken to mitigate the risk of fraud and inappropriate charge card practices.

   ii. Though some control deficiencies were identified, RMA has not identified significant deficiencies associated with internal controls for purchase and travel cards (i.e. centrally billed accounts and individually billed accounts).

C. Conformance with Federal Financial Management System Requirements (FMFIA - Section 4)

a. RMA management evaluated its financial management systems under FMFIA (section 4) for the period ended June 30, 2021.
b. RMA's information systems do conform to financial management system requirements.
c. There are no new non-conformance issues. The prior year non-conformance issues have been resolved.

D. Compliance with Section 803 (a) of the Federal Financial Management Improvement Act (FFMIA)

a. RMA management evaluated its financial management systems under FFMIA for the period ended June 30, 2021.
b. Based on the results of our evaluation, Financial Management systems are in substantial compliance with Section(s): 1. Federal Financial Management Systems Requirements; 2. Applicable Federal Accounting Standards; and 3. Standard General Ledger at the Transaction Level.

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Fiscal Year 2021
Risk Management Agency
Summary of Reportable Deficiencies

Effectiveness of Internal Control over Operations (FMFIA – Section 2)

Effectiveness of Internal Control over Operations Federal Managers' Financial Integrity Act (FFMIA) Section 2						
Categories	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Material Weakness	0					0
Significant Deficiency	0					0
Control Deficiency (Elevates to Department MW)	0					0

Internal Control over Reporting (FMFIA Section 2)

Internal Control over Financial Reporting Section 2						
Categories	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Material Weakness	1					1
Significant Deficiency	0					0
Control Deficiency (Elevates to Department MW)	0					0

Identifier	Short Title	Weakness Category (MW, SD, CD)	Year Identified	Original Estimated Completion Date	Actual Completion Date	Revised Estimated Completion Date
Section 2						
OIG# 05401-0012-11 A-123, Appendix A Findings	Estimating Losses on Insurance Claims	MW	2020	9/30/2021	N/A	12/31/2021

Federal Financial Management Systems Financial Integrity Act – FFMIA Section 4

Federal Financial Management System (FMFIA-Section 4)							
Categories	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance	Responsible Office
Significant System Non-Conformance	4		(4)			0	N/A

Identifier	Short Title	Weakness Category (MW, SD, CD)	Year Identified	Original Estimated Completion Date	Actual Completion Date	Revised Estimated Completion Date
POA&M #22452	RMA's server settings were non-compliant with Security Technical Implementation Guides	CD	2015	06/1/2016	7/26/2021	N/A
POA&M #29411	RMA didn't monitor the use of information system accounts on Enterprise Support System	CD	2020	9/30/2020	12/18/2020	N/A
POA&M #29412	RMA Crop Insurance System accounts were not reviewed	CD	2020	9/30/2020	12/18/2020	N/A
POA&M #29413	RMA did not monitor the use of information system accounts on Appian Workflow and accounts were not reviewed	CD	2020	6/30/2020	9/10/2020	N/A

Compliance with Sections 803(a) of the Federal Financial Management Improvement Act (FFMIA)

Federal Financial Management Improvement Act - FFMIA-Section 803 (a)							
Categories	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance	Responsible Office
Section 1: Federal Financial Management System Requirements	0					0	N/A
Section 2: Applicable Federal Accounting Standards	0					0	N/A
Section 3: Standard General Ledger at the Transaction Level	0					0	N/A

Identifier	Short Title	Weakness Category (MW, SD, CD)	Year Identified	Original Estimated Completion Date	Actual Completion Date	Revised Estimated Completion Date
Section 1: Federal Financial Management Systems Requirements						
None						
Section 2: Applicable Federal Accounting Standards						
None						
Section 3: Standard General Ledger at the Transaction Level						
None						

USDA

United States Department of Agriculture

Risk Management Agency

1400 Independence Avenue, SW
Washington, DC 20250-0581

TO: Lynn Moaney
Deputy Chief Financial Officer

THROUGH: Gloria Montaño Greene
Deputy Under Secretary
Farm Production and Conservation

GLORIA MONTANO GREENE Digitally signed by GLORIA MONTANO GREENE Date: 2021.10.18 20:31:51 -07'00'

FROM: Richard Flournoy
Acting Administrator
Risk Management Agency

RICHARD FLOURNOY Digitally signed by RICHARD FLOURNOY Date: 2021.10.01 11:57:56 -05'00'

Margo E. Erny
Chief Financial Officer
Farm Production and Conservation

MARGO ERNY Digitally signed by MARGO ERNY Date: 2021.10.01 12:04:40 -04'00'

SUBJECT: Risk Management Agency's FY 2021 Agency Financial Report Certification Statement – Bridge Memorandum as of September 30, 2021

The Risk Management Agency (RMA) is providing the following updates to the certification statement dated August 20, 2021 reported to the Office of the Chief Financial Officer as of June 30, 2021.

A. A. Families First Coronavirus Response Act (FFCR Act), Coronavirus Aid, Relief, and Economic Security Act (CARES Act), and American Rescue Plan Act (ARPA) of 2021.
   i. RMA has established appropriate policies and controls to track and report funding and expenditures, and corrective actions have been taken to mitigate the risk of fraud and inappropriate spending practices regarding activities and expenses related to emergency supplemental relief funding for the Pandemic Cover Crop Program. RMA administers the program but receives funding from the Office of the Secretary.
   ii. Management has not identified additional significant deficiencies associated with management of emergency supplemental relief funding.

Non-Compliance with Laws and Regulations (other than Anti-Deficiencies)

Identifier	Description of Violation	Year Identified	Original Estimated Completion Date	Actual Completion Date	Revised Estimated Completion Date	Mitigation Efforts
2020.05.97.010	Controls are not adequately designed to ensure compliance with Data Act Reporting for USAspending.gov	2020	9/30/2021	N/A	9/30/2022	Once the B/C/D2 files are submitted, FMMI now creates an automated error for the certification reporting process. Additionally, RMA plans to document and create a reconciliation process between the financial statements/trial balance and then to the A/B/C/D1/D2 files.

Anti-Deficiency Act Reporting

Description of Violation (Explanation of the violation, including (1) how it was identified, (2) year it was identified, (3) whether potential or confirmed, and (4) amount of the violation identified)					
Contact Name and Phone No.	**Corrective Action Milestones**	**Estimated Completion Date (ECD)**	**Actual Completion Date**	**Revised ECD**	**Status/Reason for Change**
None					

Financial Management System Framework

FCIC/RMA uses USDA's Financial Management Modernization Initiative (FMMI) as the financial system of record and will coordinate with USDA for all planned upgrades to the financial system. USDA will analyze any future upgrades to keep pace with the constant advancements in technology.

Limitations on Financial Statements

Financial statements have been prepared to report the financial position and results of FCIC/RMA's operations, pursuant to 31 U.S.C 3515(b), which states the requirements of Financial Statements of Agencies. While the statements have been prepared from the books and records of FCIC/RMA in accordance with Generally Accepted Accounting Principles (GAAP) for Federal entities and the formats prescribed by OMB, the statements are in addition to the financial reports used to monitor and control budgetary resources, which are prepared from the same books and records. The statements should be read with the understanding they are for a component of the United States Government, a sovereign entity.

SECTION 2: FINANCIAL STATEMENTS

FEDERAL CROP INSURANCE CORPORATION
RISK MANAGEMENT AGENCY
BALANCE SHEETS
As of September 30, 2021, and 2020
(in millions)

	2021	2020
Assets		
Intragovernmental		
Fund Balance with Treasury (Note 3)	$ 3,974	$ 2,853
Advances	3	1
Total Intragovernmental Assets	3,977	2,854
Public		
Cash and Other Monetary Assets (Note 4)	217	299
Accounts Receivable, Net (Note 5)	4,340	2,947
General Property, Plant and Equipment (Note 6)	5	9
Total Public Assets	4,562	3,255
Total Assets	$ 8,539	$ 6,109
Liabilities (Note 12)		
Intragovernmental		
Other Liabilities	$ 4	$ 3
Public:		
Accounts Payable (Note 7)	1,761	1,578
Federal Employee and Veteran Benefits Payable	6	6
Insurance and Guarantee Program Liabilities (Note 2)	14,226	7,703
Other Liabilities (Note 9)		
Disaster Relief	0	0
Pandemic Cover Crop	0	0
Other	5	7
Total Public Liabilities	15,998	9,294
Total Liabilities	$ 16,002	$ 9,297
Commitments and Contingencies (Note 13)		
Net Position (Note 15)		
Unexpended Appropriations	$ 93	$ 63
Cumulative Results of Operations	(7,556)	(3,251)
Total Net Position	$ (7,463)	$ (3,188)
Total Liabilities and Net Position	$ 8,539	$ 6,109

The accompanying notes are an integral part of these statements.

FEDERAL CROP INSURANCE CORPORATION
RISK MANAGEMENT AGENCY
STATEMENTS OF NET COST
For the Years Ended September 30, 2021, and 2020
(in millions)

	2021	2020
Program Costs FCIC		
Intragovernmental Gross Costs		
Benefit Program Costs	$ 13	$ 12
Imputed Costs	4	3
Reimbursable Costs	24	43
Intragovernmental Costs	$ 41	$ 58
Gross Costs with the Public		
Indemnities	$ 13,691	$ 9,937
Program Delivery Costs	1,910	1,687
Other Program Costs	75	65
Total Gross Costs with the Public	$ 15,676	$ 11,689
Less: Earned Revenue from the Public		
Premium Revenue	$ 5,100	$ 3,880
Net (Gain)/Loss on Business Ceded from AIPs	(1,489)	(881)
Other Revenue	45	58
Total Earned Revenue with the Public	$ 3,656	$ 3,057
Net Costs with the Public	12,020	8,632
Net Cost of Operations - FCIC	$ 12,061	$ 8,690
Program Costs Disaster Relief		
Gross Costs with the Public	$ 1	$ 95
Program Costs Pandemic Cover Crop		
Gross Costs with the Public	$ 57	$ 0
Total Gross Cost	$ 15,775	$ 11,842
Less Total Earned Revenue	$ 3,656	$ 3,057
Total Net Cost of Operations	$ 12,119	$ 8,785

The accompanying notes are an integral part of these statements.

FEDERAL CROP INSURANCE CORPORATION
RISK MANAGEMENT AGENCY
STATEMENTS OF CHANGES IN NET POSITION
For the Years Ended September 30, 2021 and 2020
(in millions)

	2021	2020
Unexpended Appropriations		
Beginning Balance	$ 63	$ 97
Appropriations Received	12,437	9,278
Appropriations Transferred (In/Out)	(12)	(12)
Other Adjustments – Returned to Treasury	(4,591)	(939)
Appropriations Used	(7,804)	(8,361)
Total Unexpended Appropriations	$ 93	$ 63
Cumulative Results of Operations		
Beginning Balance	$ (3,251)	$ (2,834)
Appropriations Used	7,804	8,361
Nonexchange Revenue	2	0
Transfers in/out without Reimbursement	4	4
Imputed Financing Sources	4	3
Total Financing Sources	7,814	8,368
Net Cost of Operations	(12,119)	(8,785)
Net Change	(4,305)	(417)
Cumulative Results of Operations (Note 15)	$ (7,556)	$ (3,251)
Net Position	$ (7,463)	$ (3,188)

The accompanying notes are an integral part of these statements.

FEDERAL CROP INSURANCE CORPORATION
RISK MANAGEMENT AGENCY
COMBINED STATEMENTS OF BUDGETARY RESOURCES
For the Years Ended September 30, 2021 and 2020
(in millions)

	2021	2020
Budgetary Resources		
Unobligated Balance from Prior Year Budget Authority, net	$ 605	$ 626
Appropriations (Note 16)	7,837	8,331
Spending Authority from Offsetting Collections	4,286	3,948
Total Budgetary Resources	$ 12,729	$ 12,905
Status of Budgetary Resources		
New Obligations and Upward Adjustments	$ 12,120	$ 12,303
Unobligated Balance, End of Year		
Apportioned, unexpired accounts	599	599
Unapportioned, unexpired accounts	5	0
Unexpired unobligated balance, end of year	604	599
Expired unobligated balance, end of year	5	3
Unobligated Balance, End of Year	609	602
Total Budgetary Resources	$ 12,729	$ 12,905
Outlays, Net		
Outlays, net	$ 6,800	$ 10,490

The accompanying notes are an integral part of these statements.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Risk Management Agency's (RMA) serves America's agricultural producers through effective, market-based risk management tools to strengthen the economic stability of agricultural producers and rural communities. To carry out this mission, RMA operates and manages the Federal Crop Insurance Corporation (FCIC).

FCIC provides crop insurance and risk management strategies to American producers. Private sector insurance providers, approved by FCIC, sell and service the policies. RMA develops and/or approves premium rates, administers the premium and expense subsidies, approves and supports products, and reinsures the Approved Insurance Providers (AIPs). In addition, RMA sponsors educational programs and seminars on risk management.

Basis of Presentation and Accounting

The accompanying financial statements have been prepared to report financial status and activity in the balance sheet, net cost, changes in net position, and budgetary resources. The financial statements have been prepared in accordance with Generally Accepted Accounting Principles (GAAP). GAAP for Federal financial reporting entities recognizes the Federal Accounting Standards Advisory Board as the standard-setting body. The financial statements are presented in accordance with the Office of Management and Budget (OMB) Circular A-136, Financial Reporting Requirements, which was revised in August 2021.

The format of the Balance Sheet has changed to reflect more detail for certain line items, as required for all significant reporting entities by OMB Circular A-136. This change does not affect totals for assets, liabilities, or net position and is intended to allow readers of this Report to see how the amounts shown on the Balance Sheet are reflected on the Government-wide Balance Sheet, thereby supporting the preparation and audit of the *Financial Report of the United States Government*. The presentation of the fiscal year 2020 Balance Sheet was modified to be consistent with the 2021 presentation. Modifications include displaying insurance liabilities as a single line item on the Balance Sheet. A schedule showing the insurance liabilities by category is included in Footnote 2, Insurance Programs. Included in the amounts for Cumulative Results of Operations are the balances previously reported as Capital Stock ($500 Million) and Additional Paid-In Capital ($38 Million). This change is reflected in both the Balance Sheet and Changes in Net Position.

Accounting transactions are recorded on both an accrual and budgetary basis of accounting. Accrual accounting recognizes revenues when earned and expenses are recognized when incurred, without regard to receipt or payment of cash. Budgetary accounting facilitates compliance with legal constraints and controls over the use of Federal funds.

Three types of years are referred to in this financial report. The financial statements are for fiscal years which run from October 1 to September 30. Crop year refers to the year in which a crop is harvested. Reinsurance year is based on the yearly reinsurance agreements with

Approved Insurance Providers (AIPs) and runs from July 1 to June 30. Statistics are maintained for policies, producer paid premium, premium subsidy, total premium, indemnities, loss ratio, and insurance protection on a crop year basis. General ledger transactions include reinsurance year attributes. Multiple reinsurance years are active during each fiscal year.

Fund Balance with Treasury

Fund Balance with Treasury (FBWT) represents the aggregate amount of funds in Federal Crop Insurance Corporation's (FCIC) accounts with Treasury for which FCIC is authorized to make expenditures and pay liabilities. FCIC's FBWT consists of appropriated funds and receipts collected from non-Federal entities.

Cash Held Outside Treasury

Cash Held Outside Treasury (CHOT) consists of amounts funded into escrow accounts for which AIP's indemnity checks have not yet cleared.

Accounts Receivable

Accounts Receivable with the public represents premiums from AIPs due to FCIC for crop insurance written by AIPs and reinsured by FCIC. AIPs are responsible for collecting premium from the producer and paying FCIC, whether-or-not premium has been collected from the producer. Accounts receivable also includes producers' accounts receivable that represents amounts due from individual producers for interest, overpaid indemnities, and debts which are payable directly to FCIC.

The Accounts Receivable due from AIPs and Accounts Payable due to AIPs on the monthly settlement are listed as gross amounts on the balance sheet.

General Property, Plant, and Equipment

General Property, Plant, and Equipment consist of office furniture, computer equipment, and computer software. Property, plant, and equipment with an acquisition cost of $25,000 or more; internal use software with an acquisition cost of $100,000 or more; and an estimated useful life of at least two years is capitalized. Property and equipment with an acquisition cost of less than $25,000 is expensed when purchased. Property and equipment are depreciated using the straight-line method over useful lives that range from 6 to 10 years. There are no restrictions on the use or convertibility of FCIC's property and equipment.

Accounts Payable

Accounts Payable includes amounts due to AIPs for reimbursement of Administrative and Operating (A&O) expenses associated with delivering the crop insurance program. The Standard Reinsurance Agreement (SRA) provides for reimbursement to the insured companies for program delivery costs. The payments for program delivery costs are due the first month of the following fiscal year.

Pensions and Other Employee Benefits

SFFAS No. 5, *Accounting for Liabilities of the Federal Government*, requires Federal entities to recognize an expense for pensions and other retirement benefits at the time the employee's services are rendered. The purpose of recognizing this expense is to record and report the full cost of each entity's operation. A corresponding revenue, Imputed Financing Sources, is recognized to the extent pension and other retirement benefit expenses exceed the amount paid to the United States Office of Personnel Management.

Classified Activities

Accounting standards allow modification of certain presentations and disclosures, if needed, to prevent the disclosure of classified information.

Net Position

Net position is the residual difference between assets and liabilities and is composed of capital stock, additional paid-in capital, contingency fund, unexpended appropriations, temporary reduction (due to sequestration), and cumulative results of operations. Unexpended appropriations represent the amount of unobligated and unexpended budget authority. Unobligated balances are the amount of appropriations or other authority remaining after deducting the cumulative obligations from the amount available. Cumulative results of operations are the net result of FCIC's operations since inception and include Initial Capital Stock ($500 million) and Contributed Capital ($38 million).

Prevented Planting Supplemental Disaster Program

The Prevented Planting Supplemental Disaster Payments Program was authorized by the Additional Supplemental Appropriations for Disaster Relief Act, 2019 (Disaster Relief Act; P.L. 116-20, June 6, 2019). The law provides supplemental appropriations for multiple USDA programs related to recent natural disasters occurring in calendar years 2018 and 2019 under such terms and conditions as determined by the Secretary. The Secretary assigned Risk Management Agency (RMA) to oversee the program. Producers participating in Federal crop insurance who received an indemnity payment for reinsurance year 2019 for prevented planting related to excess moisture/precipitation/rain, flood, cold wet weather, storm surge, tornado, volcanic eruption, hurricane/tropical depression, and cyclone and meet certain eligibility requirements will receive a supplemental payment calculated based on all qualified prevented planting payments received for insured crops. The values used for the factors will be 15 percent for those producers with revenue protection except those who select the harvest price exclusion option and 10 percent for those producers who do not have revenue protection. Of the $2.305 billion apportioned to the Office of the Secretary in fiscal year 2019, $540 million was assigned to RMA for the Prevented Planting Supplemental Relief Program. In fiscal year 2020, an additional $60.8 million was assigned. No additional monies were assigned in fiscal year 2021 and the remaining obligations on September 30, 2021 were approximately $357,000.

Pandemic Cover Crop Program

The Pandemic Cover Crop Program (PCCP) is part of USDA's Pandemic Assistance for Producers initiative, a bundle of programs to bring financial assistance to farmers, ranchers and producers who felt the impact of COVID-19 market disruptions. PCCP provides premium support to producers who insured their spring crop with most insurance policies and planted a qualifying cover crop during the 2021 crop year. The premium support is $5 per acre, but no more than the full premium owed.

Qualifying cover crops include all that are reportable to Farm Service Administration including cereals and other grasses, legumes, brassicas and other non-legume broadleaves, and mixtures of two or more cover crop species planted at the same time.

The Office of the Secretary assigned to RMA to administer $70 million for the PCCP. Total obligations in Fiscal Year 2021 were $57 million.

Apportionment Categories of Obligations Incurred

The Insurance Fund receives a direct apportionment that is apportioned by program (Category B). Fiscal years 2021 and 2020 insurance fund obligations incurred were $12 billion and $12.1 billion, respectively. For fiscal years 2021 and 2020 the S&E direct apportionment was $60.13 Million and $58.4 million, respectively. The S&E fund is apportioned by time (Category A). RMA is authorized to annually transfer up to $7 million in 2021 and 2020 from the FCIC fund to the S&E fund. These funds are available to reimburse expenses incurred for the operations and review of policies, plans of insurance, and related materials; and to assist the Corporation in maintaining actuarial soundness and financial integrity. In fiscal year 2021 and fiscal year 2020, RMA transferred $7 million from the FCIC fund to the S& E fund. In fiscal year 2020, RMA received $0.78 million from other Federal agencies. In fiscal year 2020, $2.4 million of S&E funds were transferred to other federal agencies and in fiscal year 2021, $1 million was transferred to another agency. In fiscal year 2021 and fiscal year 2020 the S&E fund obligations were $65.8 million and $65.5 million. All S&E funds are subject to sequestration.

The Disaster Relief Fund obligations incurred for fiscal year 2021 and fiscal year 2020 were $0.49 million and $95 million, respectively. The obligations for the Pandemic Cover Crop Program for FY2021 was $57.3 Million.

NOTE 2 – INSURANCE PROGRAMS

The Federal Crop Insurance Program is considered a short-duration exchange transaction insurance program. The crop insurance policies insure against unexpected declines in yield and/or price due to natural causes. In crop year 2021, there were approximately 1.17 million standard reinsurance and livestock policies totaling approximately $150 billion insurance protection in force.

The insurance policies are structured as a contract between AIPs and producers, with the FCIC providing reinsurance to AIPs. Crop insurance policies automatically renew each year unless producers cancel them by a published annual deadline.

Under the reinsurance agreements, AIPs agree to deliver insurance products to eligible entities under certain terms and conditions. The A&O subsidy compensates the AIPs for selling and servicing crop insurance policies, including the direct settling of claims. Producers pay a portion of premium and fees to participate in the insurance program benefit payments.

FCIC and AIPs share in underwriting gains or losses. The underwriting risk for the crop insurance program is shared by FCIC and the AIPs. The AIPs generally retain approximately 80 to 85 percent of the premium, and the risk associated with the premium. FCIC provides AIPs stop-loss reinsurance for the risk associated with their retained premium.

The AIPs for fiscal year 2021 are as follows:

- Ace American Insurance Company
- American Agri-Business Insurance Company
- American Agricultural Insurance Company
- CGB Insurance Company
- Church Mutual Insurance Company
- Country Mutual Insurance Company
- Farmers Mutual Hail Insurance Company of Iowa
- Great American Insurance Company
- Hudson Insurance Company
- NAU Country Insurance Company
- Producers Agriculture Insurance Company
- Rural Community Insurance Company
- Stratford Insurance Company
- XL Reinsurance America Inc.

The funds within the Federal Crop Insurance Program can be used to pay any authorized expense of the program. The following tables lists the type of funds received and the resources used of the program for 2021 and 2020.

Federal Crop Insurance Program Resource and Resources Used			
Resource	**Fiscal Year 2021 (millions)**	**Uses**	**Fiscal Year 2021 (millions)**
Producer Premiums Collected	$ 4,146	Obligations for Delivery Costs	$ 1,915
Producer Fees Collected	50	Obligations for Indemnities	8,503
Underwriting Loss Collected from AIPs	90	Obligations for Underwriting Gain	1,517
Appropriations	7,718	Obligations for Initiatives & Other Costs	62
Appropriations Transfers	(13)		
Unobligated Balance Beginning of Year	596	Unobligated Balance End of Year	590
Total	$ 12,587	Total	$ 12,587

Federal Crop Insurance Program Resource and Resources Used			
Resource	**Fiscal Year 2020 (millions)**	**Uses**	**Fiscal Year 2020 (millions)**
Producer Premiums Collected	$ 3,891	Obligations for Delivery Costs	$ 1,686
Producer Fees Collected	23	Obligations for Indemnities	9,886
Underwriting Loss Collected from AIPs	35	Obligations for Underwriting Gain	533
Appropriations	8,217	Obligations for Initiatives & Other Costs	38
Appropriations Transfers	(13)		
Unobligated Balance Beginning of Year	584	Unobligated Balance End of Year	594
Total	$ 12,737	Total	$ 12,737

In addition to the mandatory FCIC fund, RMA obligated $65.8 million in S&E funds to administer the Federal Crop Insurance Program in 2021. The Federal Crop Insurance Act requires the total premium, including producer paid premium and premium subsidy, to be established to achieve an overall projected loss ratio of not greater than 1.0 over an extended period of time. The FCIC Act dictates the percentage of subsidized premium. The estimation of expected indemnities is generally based on the observed historical rate of loss often referred to as the 'loss cost' method.

In fiscal year 2021 there was widespread drought conditions in many parts of the nation, causing catastrophic damage to crops. To provide relief, RMA deferred collection of any unpaid producer premium without interest by two months. The total amount of deferred collections was approximately $3.7 billion.

FCIC collects administrative fees from producers in return for catastrophic risk protection coverage and additional levels coverage. The rates are set by statute. For reinsurance year 2021, the catastrophic risk protection fees were $655 per crop per county and $30 for additional levels coverage per crop per county.

FCIC may request the Secretary of Agriculture to provide borrowing authority funds of the Commodity Credit Corporation (CCC) if at any time the amounts in the insurance fund are insufficient to allow FCIC to carry out its duties. Even though the authority exists, FCIC did not request CCC funds in the reporting period. Instead, FCIC uses such sums as are necessary from the U.S. Treasury to cover program costs that are more than collections.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions. These assumptions affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

FCIC financial statements show estimates on the Balance Sheet and Statement of Net Cost on the following line items related to the insurance programs:

- Balance Sheet
    - Insurance and Guarantee Program Liabilities

- Statement of Net Cost
    - Indemnities,
    - Program Delivery Costs,
    - Premium Revenue,
    - Net (Gain)/Loss on Business Ceded from AIPs, and
    - Other Revenue.

Loss Recognition

The end of the government's fiscal year, on September 30, occurs while many crops are still in the field and subject to ongoing natural risks. This misalignment between the government's fiscal year and the inherent business cycle of the crop insurance program results in significant uncertainty for the end-of-fiscal-year estimates of claims. Estimates can often vary by 20% or more from final results.

Estimates of claims are based on current crop conditions and historical trends for a given crop condition. Therefore, it is assumed the expected claims will be similar to levels observed historically.

The estimate model assumes that there is a relationship between crop yields, harvest prices, and the resulting loss ratios. The indemnity for an individual producer is based on the difference between the producer's actual yield and his/her average yield. Similarly, for revenue plans, the indemnity is based on the difference between the actual harvest price and the "base" price which is the estimated harvest price at the time the crop is planted.

Regression analyses are calculated based on the historic relationships between the crop yields and harvest prices (when necessary) for each crop in each state and the resulting loss ratios in each of those years. The resulting regression coefficients are used in conjunction with the most recent National Agricultural Statistics Service (NASS) forecasts and commodity futures prices to calculate a projected loss ratio for each crop/state combination.

There are uncertainties associated with these assumptions including:

- Actual yields, which may be different than those provided by the NASS estimates;
- Changes in weather patterns close to harvesting dates, which could affect yields but not be reflected in the NASS estimates;
- Commodity prices, which may change from those in the market because of many factors (such as weather, yields, and economic conditions); and
- Significant catastrophic weather events (i.e., hurricanes and freezes) occurring near the balance sheet date, which could affect estimated crop yields and crop prices.

There are uncertainties associated with assumptions used to estimate losses on insurance claims. As a result, the ultimate liability may differ significantly from the recorded estimate. Indemnity costs are paid from premium proceeds, including producer paid premium and premium subsidies. If indemnity costs exceed funds available, additional funds will be requested and apportioned to FCIC.

Revenue and Liabilities Recorded

SFFAS 51 promulgates the recognition and measurement of:

1. Revenue and Liability for Unearned Premiums;
2. Liability for Unpaid Insurance Claims; and
3. Liability for Losses on Remaining Coverage

Insurance Liabilities

Reported insurances liabilities increased significantly from fiscal year 2020 to fiscal year 2021. This increase is attributed to:

- Higher coverage amounts resulting from higher crop prices
- Increased participation in certain insurance products (Rainfall Index Plans and Livestock Plans)
- Higher level of losses caused by widespread drought

The following table shows the Insurance Liabilities as of September 30, 2020 and September 30, 2021.

	2021	2020
Estimated Losses on Insurance Claims		
Liability for Unpaid Insurance Claims	$ 3,413	$ 737
Liability for Losses on Remaining Coverage	6,572	4,149
Total Estimated Losses on Insurance Claims	$ 9,985	$ 4,886
Unearned Revenue	1,189	750
Underwriting Gain	3,044	2,058
Other Insurance Liabilities	8	9
Total Insurance Liabilities (1)	$ 14,226	$ 7,703

(1) In Fiscal Year 2020, there was reported $5 million for contingent liabilities.

Liability for Unpaid Insurance Claims

Liability for Unpaid Insurance Claims are claims for adverse events that occurred before the end of the reporting period. Under SFFAS 51, for the claim to be considered incurred, a single event or a series of events must be completed by the end of the reporting period to be considered an adverse event of the period.

The Liability for Unpaid Insurance Claims is comprised of the following:

- Funds in the Escrow accounts to cover payments to producers who have not cashed their indemnity payments
- Claims reported but not paid as of the end of the reporting period
- Incurred but Not Reported (IBNR) is estimated claims from events that have occurred as of the end of the reporting period but have not yet been reported for settlement.

FCIC uses a historical trend analysis based upon the data from the prior years to determine the value of claims incurred for the current reinsurance year as of the financial statement reporting date. When the Summary of Business (SOB) is higher than the estimate at year end, the SOB amount is used.

Liability for Losses on Remaining Coverage

The Liability for Losses on Remaining Coverage as of the end of the reporting period represents the estimated amounts to be paid to settle claims for the remaining open arrangement period exceeding losses associated with the related unearned premiums as of the end of the reporting period.

The liability for losses on remaining coverage is the total projected losses minus actual losses reported, IBNR, and losses associated with unearned premium.

Revenue and Liability for Unearned Premiums

Premium revenue is comprised of producer paid premium. Producer paid premium is recognized as earned proportionately over each crop's growing season. The portion of producer paid premium not recognized at the conclusion of the fiscal year is classified as insurance and guarantee program liabilities in the balance sheet.

Underwriting Gain/Loss

Underwriting gain/loss is the AIPs' portion of earnings or losses on the insurance book of business due from or to FCIC. A periodic settlement, as stipulated in the SRA, is calculated where results of business written by AIPs are determined and an experience-rated gain or loss on business ceded from AIPs is computed. Payments due to AIPs for a net gain are paid in the second fiscal year following the reinsurance year. Underwriting losses are paid to FCIC periodically.

Contingencies

Various lawsuits, claims, and proceedings are pending against FCIC. In accordance with SFFAS 5, FCIC records accruals for such contingencies when it is probable that a liability will be incurred, and the amount of the loss can be reasonably estimated. If there is a reasonable possibility that a loss will occur, FCIC discloses the nature of the contingency and an estimate of the possible liability, an estimate of the range of the possible liability, or a statement that such an estimate cannot be made. See Note 13, Commitments and Contingencies, to the financial statements for related disclosures.

NOTE 3 – FUND BALANCE WITH TREASURY

Fund balance with Treasury on September 30, 2021 and 2020 consists of:

2021	Disaster Relief (millions)	S&E Fund (millions)	Insurance Fund (millions)	Pandemic Cover Crop	Total (millions)
Obligated not yet disbursed	$ 0	$ 12	$ 3,313	$ 0	$ 3,325
Unobligated available	0	1	586	13	599
Unobligated unavailable	0	5	45	0	50
Non-Budgetary Fund Balance with Treasury	0	0	0	0	0
Total Fund Balance with Treasury	$ 0	$ 17	$ 3,944	$ 13	$ 3,974
2020	**Disaster Relief (millions)**	**S&E Fund (millions)**	**Insurance Fund (millions)**	**Pandemic Cover Crop**	**Total (millions)**
Obligated not yet disbursed	$ 0	$ 13	$ 2,201	$ 0	$ 2,215
Unobligated available	5	1	594	0	599
Unobligated unavailable	0	3	36	0	39
Total Fund Balance with Treasury	$ 5	$ 17	$ 2,832	$ 0	$ 2,853

*Totals may not add due to rounding.

FCIC and RMA maintain separate accounts for S&E (appropriated), Insurance (revolving), Disaster Relief (appropriated), Pandemic Cover Crop (appropriated) funds. The S&E fund is used to pay administrative and operating expenses of RMA. The Insurance fund is used to pay losses, A&O subsidies known as program delivery costs, and other costs authorized in the Act. All funds are currently available to FCIC except for the prior year unobligated balances in the S&E fund and temporarily sequestered amounts in the Insurance fund. The unobligated unavailable amount includes sequestered funds.

The significant lower balance in fiscal year 2020 is due to a lower level of obligation for the reinsurance year 2019 underwriting gain than the reinsurance year 2020 underwriting obligation at the end of fiscal year 2021.

NOTE 4 – CASH HELD OUTSIDE TREASURY

Cash held outside of Treasury as of September 30, 2021 and 2020 is:

CASH HELD OUTSIDE TREASURY	2021 (millions)	2020 (millions)
Balance	$ 217	$ 299

Cash held outside of Treasury consist of funds in FCIC escrow accounts. The accounts are used by AIPs to pay producer losses. Accounts fluctuate as payables vary from day to day.

NOTE 5 – ACCOUNTS RECEIVABLE

Accounts receivable and allowance for uncollectible accounts as of September 30, 2021 and 2020 are:

Fiscal Year	Gross Accounts Receivable (millions)	Allowance for Uncollectible Accounts (millions)	Net Accounts Receivable (millions)
2021	$ 4,344	$ (4)	$ 4,340
2020	$ 2,953	$ (6)	$ 2,947

Accounts receivable includes premiums from AIPs due to FCIC. AIPs are responsible for collecting premium and paying FCIC whether or not they have received premium from the producer. Also included are amounts due from individual producers for interest, overpaid indemnities, and debts which are payable directly to FCIC. The allowance for uncollectible accounts is based on historical experience. In order to provide COVID relief in fiscal year 2020, RMA allowed additional time for policyholders to make payment of premium and administrative fees for the August 15 premium billing date, representing most of the year's premium due. The deferred collections in FY2020 were $2.5 billion.

In fiscal year 2021, farmers and rancher faced widespread drought conditions in many parts of the nation, causing catastrophic damage to crops. FCIC provided a deferral of the collections of premiums as relief allowing AIPs to defer uncollected premiums until November 30, 2021. The amount of deferment was approximately $3.7 billion.

There is approximately $57.8 million of criminal restitution owed to FCIC. Of this amount, only $2 million is currently included in the gross accounts receivable balance and is monitored by Risk Management Agency (RMA). Most of the $2 million is included in the calculation of the allowance for doubtful accounts. The remaining $55.8 million, has been removed from the accounts receivable balance and is categorized as Currently Not Collectible per OMB Circular No A-129, Policies for Federal Credit Programs and

Non-Tax Receivables. The corresponding cases related to this amount have been turned over to the Department of Justice for monitoring and control of any collections. RMA believes the probability of significant collections for these cases are low.

NOTE 6 – GENERAL PROPERTY, PLANT, AND EQUIPMENT

General Property, Plant, and Equipment as of September 30, 2021 and 2020 is:

2021 (in millions)			
Category	**Cost**	**Accumulated Depreciation**	**Book Value**
Equipment	$ 1	$ (1)	$ 0
Internal Use Software	62	(58)	4
Internal Use Software in Development	1	0	1
Total	$ 64	$ (59)	$ 5
2020 (in millions)			
Category	**Cost**	**Accumulated Depreciation**	**Book Value**
Equipment	$ 3	$ (3)	$ 0
Internal Use Software	62	(55)	8
Internal Use Software in Development	1	0	1
Total	$ 66	$ (58)	$ 9

FCIC has implemented software to replace its reinsurance program systems. In accordance with SFFAS No. 10, *Accounting for Internal Use Software*, contractor and RMA internal staff costs related to the new system will be amortized over a period of 5 years.

A summary of the annual capitalization acquisitions, dispositions/ revaluations, depreciation expenses for FY2021 and FY2020 is as follows:

Net PP&E		
	2021	**2020**
Balance beginning of year	$ 9	$ 13
Capitalized acquisitions	0	2
Dispositions	0	0
Transfers in/out w/o reimbursement	0	0
Revaluations	0	0
Depreciation expense	(4)	(6)
Donations	0	0
Other	0	0
Balance at end of year	$ 5	$ 9

NOTE 7 – ACCOUNTS PAYABLE

Payment of delivery costs, also known as A&O, is made in October of each fiscal year following the reinsurance year. Therefore, delivery costs are included in the accounts payable line in each fiscal year.

Total accounts payable as of September 30, 2021 and 2020 are:

Accounts Payable	2021 (millions)	2020 (millions)
Delivery Costs	$ 1,732	$ 1,577
Other	29	1
Total	$ 1,761	$ 1,578

NOTE 8 – ESTIMATED LOSSES ON INSURANCE CLAIMS

The following tables show information for changes in the Estimated Losses on Insurance claims for fiscal year 2021 and fiscal year 2020.

Changes in Estimated Losses on Insurance Claims	2021 (millions)	2020 (millions)
Beginning Balance	$ 4,886	$ 4,915
Claims Expenses	8,477	9,886
Payments to Settle Claims	(8,570)	(9,974)
Adjustments of Accruals for Estimated Losses	5,192	59
Ending Balance	$ 9,985	$ 4,886

The chart above provides a rollforward of the Liability for Estimated Losses on Insurance Claims from the prior year to the current year. The Claims Expenses represents actual claims reported. In fiscal year 2021 the actual claims reported were $1.4 billion dollars less than fiscal year 2020. This was a result of higher losses related to reinsurance year 2019 reported in fiscal year 2020. Payments to Settle Claims are the actual payments to producers. The amounts for fiscal year 2020 do not include the $5 million for contingent liabilities.

The Adjustment of Accrual for Estimated Losses is the reversal of the prior year accrual combined with the current year accrual for estimated losses. The indemnity projection is based on two major factors: losses due to a shortfall in yield and changes in commodity prices impacting revenue plans. The principal data source for yield projections is the NASS Crop Production report. The NASS Crop Production report is considered to represent USDA's official perspective on the current state of agricultural production. It is based on a survey of growers along with inspections of randomly selected sections of farms. Although the NASS Crop Production report is scrutinized by multiple sources, it is still an estimate and is subject to some uncertainty.

The revenue plans of insurance base their indemnities on the futures prices for specific contracts and exchanges. The best prediction of the final price for the futures contract is the most current price of the relevant commodities exchange. At the time the indemnity projection is made, up-to-date futures prices are taken from multiple exchanges. Again, this is subject to uncertainty due to fluctuations in markets.

NOTE 9 – OTHER LIABILITIES

Other Liabilities as of September 30, 2021 and 2020 consist of:

Other Liabilities, Federal and Non-Federal	2021 (millions)	2020 (millions)
Intragovernmental:		
Other Liabilities with Related Budgetary Obligations	$ 3	$ 2
Employer Contributions and Payroll Taxes	1	1
Total Other Liabilities, Intragovernmental	$ 4	$ 3
With the Public:		
Other Liabilities with Related Budgetary Obligations	3	0
Accrued Funded Payroll and Leave	2	2
Contingent Liabilities	0	5
Total Other Liabilities with the Public	$ 5	$ 7
Total Other Liabilities	$ 9	$ 10

NOTE 10 – UNDERWRITING GAIN

The liability for underwriting gain for standard agreements as of September 30, 2021 and 2020 is:

Underwriting Gain	2021 (millions)	2020 (millions)
Current Year Estimated Gains	$ 1,587	$ 1,525
Actual Underwriting Gains	1,457	533
Total Underwriting Gain Liability	$ 3,044	$ 2,058

At the end of fiscal year 2021, the Underwriting Gain Liability include amounts for reinsurance years 2020 and 2021. The reinsurance year 2021 estimated Underwriting Gain was $1,587 million and the estimated loss ratio is 0.95. The actual reinsurance year 2020 Underwriting Gain is $1,457 million and will be paid in fiscal year 2022. The actual loss ratio for reinsurance year 2020 is 0.85.

The Underwriting Gain Liability for fiscal year 2020 includes amounts for reinsurance year 2019 and 2020. The reinsurance year 2020 estimated Underwriting Gain was $1,525 million and the actual loss ratio was 0.81. The actual reinsurance year 2019 Underwriting Gain was $533 million was paid in fiscal year 2021 was based on a loss ratio of 1.02.

NOTE 11 – UNEARNED REVENUE

Unearned revenue on September 30, 2021 and 2020 is:

Unearned Revenue	2021 (millions)	2020 (millions)
Total Unearned Revenue	$ 1,189	$ 750

Premium revenue is comprised of producer paid premium. Producer paid premium is recognized as earned proportionately over each crop's growing season. The portion of producer paid premium not recognized at the conclusion of the fiscal year is classified as insurance and guarantee program liabilities in the balance sheet. The majority of the increase in fiscal year 2021 was due to:

- Higher level of premium caused by higher crop prices.
- Higher participation in livestock products and rainfall index plans

NOTE 12 – LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

Liabilities not covered by budgetary resources at September 30, 2021 and 2020 are:

Liabilities	2021 (millions)	2020 (millions)
Estimated Losses on Insurance Claims	$ 9,734	$ 4,548
Underwriting Gain	1,587	1,525
Unfunded Leave	4	4
FECA	2	2
Total Liabilities Not Covered by Budgetary Resources	$ 11,326	$ 6,078
Total Liabilities Covered by Budgetary Resources	$ 3,486	$ 2,468
Total Liabilities Not Requiring Budgetary Resources	$ 1,189	$ 750
Total Liabilities	$ 16,002	$ 9,297

Estimated losses on insurance claims liabilities not covered by budgetary resources were approximately $9.7 billion as of September 30, 2021, and $4.5 billion as of September 30, 2020.

Underwriting gains are paid two fiscal years after the end of the reinsurance year. Reinsurance year 2021 underwriting gain liability of $1.587 billion is considered unfunded as it is based upon estimated losses.

For fiscal years 2021 and 2020, Federal Employees Compensation Act (FECA) liability is $2 million for both years. Included are Intragovernmental Other Liabilities of approximately $0.3 million for fiscal year 2021 and fiscal year 2020 for an unfunded FECA liability. Unfunded annual leave is also a liability not covered by budgetary resources. Annual leave is accrued as it is incurred, and the accrual is reduced as it is taken. The balances in the accrued annual leave account were adjusted to reflect current pay rates and annual leave balances.

Included liabilities that are funded and covered by budgetary resources are:

- The FCIC escrow balances of reported unpaid claims held outside of Treasury used to pay producer losses.
- The previous year's liability for underwriting gain. This liability will be paid in the year following the end of the current fiscal year.
- Accounts Payable for the AIP's delivery cost.

Included for liabilities not requiring budgetary resources is the Unearned Revenue

NOTE 13 – COMMITMENTS AND CONTINGENCIES

FCIC is a defendant in litigation cases arising during the normal course of business. To defend its policies and procedures FCIC may pay litigation expenses and judgments over and above the indemnities found in the SRA for AIPs. For this reason, FCIC is consulted and approves significant decisions in the litigation process. After consultation with legal counsel, management believes that none of these items, other than those noted herein, are expected to have a materially adverse effect on FCIC's financial statements.

A contingency is considered probable when the chance of the future confirming event or events occurring is likely to occur. FCIC has an ongoing case in which legal counsel believes the chance of unfavorable outcome is reasonably possible. The range of loss is estimated in the range from $150,000 to $500,000. FCIC has not recognized a liability in the financial statements and will continue to contest certain aspects of this case.

NOTE 14 – UNDELIVERED ORDERS AT THE END OF THE PERIOD

Undelivered Orders as of September 30, 2021 and 2020 are:

	2021 (millions)	2020 (millions)
Undelivered Orders, Federal, Paid	$ 3	$ 1
Undelivered Orders, Federal, Unpaid	24	24
Undelivered Orders, Non-Federal, Unpaid	33	21
Total Undelivered Orders	$ 60	$ 46

Undelivered Orders are goods and services obligated but not received as of the end of the fiscal year.

NOTE 15 – NET POSITION – STATEMENT OF CHANGES IN NET POSITION

Net position is the difference between assets and liabilities of an agency as of the financial statement date. Net position consists of cumulative results of operations and unexpended appropriations. The Cumulative Results of Operations is the net difference between expenses, net appropriations, revenue, and transfers from the inception of the program.

In fiscal year 2021, FCIC requested $3.16 billion more apportionments than fiscal year 2020. The apportionments were reduced in Fiscal Year 2020 due to the higher anticipated collections expected, as approximately $2.5 billion of reinsurance year 2019 premium collections were deferred to FY2020 as the result of penalty waivers granted in fiscal year 2019. In addition, there was $70 million for Pandemic Cover Crop Program funding.

Cumulative Results of Operations were $4.30 billion lower in Fiscal year 2021 due to the higher net cost of operations caused by the significantly higher losses caused by extensive drought. FCIC returned $939 million to Treasury in fiscal year 2020, compared to $ 4.6 billion in fiscal year 2021.

NOTE 16 – STATEMENT OF BUDGETARY RESOURCES

Budgetary Resources/Appropriations as of September 30, 2021 and 2020 are:

Budgetary Resources/ Appropriations	2021 (millions)	2020 (millions)
Appropriations Received Program Fund	$ 12,307	$ 9,159
Appropriations Received S&E Fund	60	58
Appropriations Received for Disaster Relief Program	0	61
Appropriations Received for Pandemic Cover Crop Program	70	0
Return to Treasury	(4,591)	(939)
Other	(9)	(8)
Appropriations	$ 7,837	$ 8,331

FCIC receives a permanent indefinite appropriation for the Insurance Fund each fiscal year for premium subsidy, reinsurance A&O reimbursement expense, and other programs specified in the Act. At the end of the fiscal year FCIC returns unobligated balances to Treasury.

The reconciliation of unobligated balances brought forward to October 1, 2021 and 2020 are:

Reconciliation to Unobligated Balance at the End of Prior Year	FY2021	FY2020
Unobligated balance, brought forward from prior year	$ 603	$ 628
Adjustments to budgetary resources made during current year		
Downward adjustment of prior year delivered orders	3	1
Other Adjustments	(1)	(3)
Unobligated Balance from Prior year budget authority, net (discretionary and mandatory)	$ 605	$ 626

NOTE 17 – DIFFERENCES BETWEEN THE SBR AND BUDGET OF THE U.S. GOVERNMENT

Fiscal Year 2020 Statement of Budgetary Resources v. President's Budget (in millions)							
	Account		Budgetary Resources		Obligations Incurred		Net Outlays
Statement of Budgetary Resources:							
Insurance Fund		$	12,735	$	12,143	$	9,830
S&E			70		65		64
Disaster Relief			100		95		596
Total		$	12,905	$	12,303	$	10,490
Reconciling Items:							
Expired Accounts			(4)		0		0
Shared Accounts - Disaster Relief			(100)		(95)		(596)
Rounding Difference			2		(1)		1
Total		$	12,803	$	12,207	$	9,895
Budget of the United States Government		$	12,803	$	12,207	$	9,895

FCIC's Statement of Budgetary Resources serves as a tool to link budget execution data to information reported in the "actual" column of the Program and Financing Schedules in the Appendix of the Budget of the United States Government (referred to as the President's Budget) as well as information reported in the Report on Budget Execution and Budgetary Resources (SF-133). The permanent indefinite appropriation for the crop insurance program is used to cover premium subsidy, delivery expenses, losses in excess of premiums, and initiatives. Some reporting differences do exist between comparable amounts in the Statement of Budgetary Resources (SBR), the President's Budget, and the SF-133. The table above is a comparison of the fiscal year 2020 Statement of Budgetary Resources, and the President's Budget. The comparison between the fiscal year 2021 Statement of Budgetary Resources and the fiscal year 2021 actual numbers presented in the fiscal year 2023 Budget cannot be performed as the fiscal year 2023 Budget is not yet available. The fiscal year 2023 Budget is expected to be published in February 2022 and will be available from the Government Printing Office, https://www.whitehouse.gov/omb/budget/.

NOTE 18 – RECONCILIATION OF NET COSTS TO NET OUTLAYS

The Reconciliation of Net Costs to Net Outlays explains the relationship between the entity's net outlays on a budgetary basis and the net cost of operations during the reporting period. Budgetary and financial accounting information differ. Budgetary accounting is used for planning and control purposes and relates to both the receipt and use of cash, as well as reporting the federal deficit. Financial accounting is intended to provide a picture of the government's financial operations and financial position. It presents information on an accrual basis. The accrual basis includes information about costs arising from the consumption of assets and the incurrence of liabilities. The reconciliation of net outlays, presented on a budgetary basis, and the net cost, presented on an accrual basis, provides an explanation of the relationship between budgetary and financial accounting information. The reconciliation serves not only to identify costs paid for in the past and those that will be paid in the future, but also to assure integrity between budgetary and financial accounting. The schedule on the following page illustrates this reconciliation by listing the key differences between net cost and net outlays.

The reconciliation contains both intra-governmental and activity with the public, however the intra-governmental amounts are immaterial to total cost.

The increase in liabilities for FY2021 was primarily the result of (1) higher actual RY2020 underwriting gain booked at the end of fiscal year 2021 than the actual RY2019 underwriting gain booked at the end of fiscal year 2020 and (2) higher RY2021 projected losses due to excessive drought conditions.

The $1.4 billion increase in FY2021 Accounts Receivable relates to the higher premiums for certain crops as the result of higher crop prices and producer participation.

Reconciliation of Net Cost to Net Outlays	**2021 (millions)**	**2020 (millions)**
Net Cost	$ 12,119	$ 8,785
Components of Net Cost Not Part of the Budgetary Outlays:		
Property, Plant and Equipment Depreciation Expense	(4)	(6)
Increase/(Decrease) in Assets:		
Accounts Receivable, Net	1,392	101
Other Assets	3	2
Increase/(Decrease) in Liabilities		
Accounts Payable	(183)	(55)
Insurance and Guarantee Program Liabilities	(6,523)	1,163
Other Liabilities	2	503
Financing Sources:		
Imputed Cost	(4)	(3)
Total Components of Net Operating Cost Not Part of the Budgetary Outlays:	$ (5,317)	$ 1,705
Miscellaneous Items:		
Custodial/Non-exchange revenue	(2)	0
Total Other Reconciling Items	(2)	0
Total Net Outlays (Calculated Total)	$ 6,800	$ 10,490
Budgetary Agency Outlays, Net (SBR 4210)		
Budgetary Agency Outlays, Net	$ 6,800	$ 10,490

NOTE 19 – INTER-ENTITY COSTS

Goods and services are received from other federal agencies at no cost or at a cost less than the full cost to the providing federal entity. Consistent with accounting standards, certain costs of the providing entity that are not fully reimbursed are recognized as imputed cost in the Statement of Net Cost and are offset by imputed revenue in the Statement of Changes in Net Position. Such imputed costs and revenues relate to business-type activities, employee benefits, and claims to be settled by the Treasury Judgment Fund. However, unreimbursed costs of goods and services other than those identified above are not included in our financial statements. For fiscal year 2021, RMA recognized $3.7 million of imputed costs associated with accrued pension and post-retirement benefit expense.

NOTE 20 – COVID-19 ACTIVITY

RMA took numerous actions to provide relief in the face of the pandemic to ensure crop insurance continued to provide a farm safety net under such unprecedented times. RMA did not receive direct budgetary resources to respond to COVID 19 and most of the actions provided reporting flexibilities to AIP's and producers. In Fiscal Year 2020, the most significant action involving financial resources was to allow additional time for policyholders to make payment of premium and administrative fee. The amount of this deferral was $2.5 billion. This deferral impacted the Accounts Receivable reported on the Balance Sheet and Note 5; the amount Returned to Treasury on the Statement of Changes in Net Position and Note 15 and Note 16; the reported amount for Appropriations, Spending Authority from Obligations, and Net Outlays on the Combined Statements of Budgetary Resources.

In FY2021, RMA was assigned to administer the Pandemic Cover Crop Program (PCCP) as part of USDA's Pandemic Assistance for Producers initiative, a bundle of programs to bring financial assistance to farmers, ranchers and producers who felt the impact of COVID-19 market disruptions. The following chart displays the impact to the financial statements.

Statement	Line Impacted	Amount (millions)
Balance Sheet	Fund Balance with Treasury	$ 12.7
Net Cost	Gross Cost	$ 57.3
Statement of Changes in Net Position	Appropriations Received	$ 70.0
Statement of Changes in Net Position	Appropriations Used	$ 57.3
Statement of Budgetary Resources	Appropriations	$ 70.0
Statement of Budgetary Resources	New obligations and upward adjustments	$ 57.3
Statement of Budgetary Resources	Outlays, Net	$ 57.3

SECTION 3: OTHER INFORMATION (UNAUDITED)

SUMMARY OF FINANCIAL STATEMENT AUDIT AND MANAGEMENT ASSURANCES

FCIC is required to undergo an annual independent audit of its financial statements. In addition, FCIC is required to conduct annual assessments of internal controls over financial reporting and compliance with laws and regulations. The following tables list the results of the audit and assessments.

Table 1:

Summary of Financial Statement Audit					
Audit Opinion	Unmodified				
Restatement	No				
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Total Material Weaknesses	1	0	1	0	0

Table 2:

SUMMARY OF MANAGEMENT ASSURANCES					
Effectiveness of Internal Control over Financial Reporting (FMFIA Section 2)					
Statement of Assurance	Unmodified				
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Total Material Weaknesses	0	0	0	0	0
Effectiveness of Internal Control over Operations (FMFIA Section 2)					
Statement of Assurance	Unmodified				
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
N/A	0	0	0	0	0
Total Material Weaknesses	0	0	0	0	0
Conformance with Federal Financial Management System Requirements (FMFIA Section 4)					
Statement of Assurance	Federal systems conform				
Non-conformances	Beginning Balance	New	Resolved	Consolidated	Ending Balance
N/A	0	0	0	0	0
Total Non-conformances	0	0	0	0	0
Compliance with Section 803(a) of the Federal Financial Management Improvement Act					

SUMMARY OF MANAGEMENT ASSURANCES		
	Agency	Auditor
1. Federal Financial Management System requirements	Compliance noted	No lack of compliance noted
2. Applicable Federal Accounting Standards	Compliance noted	No lack of compliance noted
3. USSGL at Transaction Level	Compliance noted	No lack of compliance noted

PAYMENT INTEGRITY

The Improper Payments Information Act of 2002, as amended by the Improper Payments Elimination and Recovery Act of 2010, the Improper Payments Elimination and Recovery Improvement Act of 2012, and the Payment Integrity Information Act of 2019 requires agencies to review programs susceptible to significant improper payments, report estimated improper payments and establish corrective actions to reduce improper payments. OMB provides guidance on measuring, reducing, recovering, and reporting improper payments through OMB Circular A-123, Appendix C, *Requirements for Payment Integrity Improvement* and OMB Circular A-136.

Additional information can be found in Section III of the USDA FY 2021 Agency Financial Report. The following link contains more detailed information on improper payments and other information regarding improper payments not included in this report: https://paymentaccuracy.gov/.

FY 2021 operational guidance for all improper payment initiatives is anticipated to be received in late October or early November.

Improper Payment Reporting

Table 1: Summary of Improper Payment Results

Agency	FY	Total Outlays	Improper $'s	Error Rate	Overpayments	Underpayments
RMA	2021*	$ 11,906.40	$ 168.47	1.41%	$ 153.34	$ 15.13
RMA	2020	$ 10,710.28	$ 246.95	2.31%	$ 152.02	$ 94.96

* FY2021 figures have been submitted to OFCO but are pending comment and approval.

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