

# Proposed Rules

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This section of the FEDERAL REGISTER contains notices to the public of the proposed issuance of rules and regulations. The purpose of these notices is to give interested persons an opportunity to participate in the rule making prior to the adoption of the final rules.

## DEPARTMENT OF AGRICULTURE

### Federal Crop Insurance Corporation

#### 7 CFR Chapter IV

#### General Administrative Regulations; Nonstandard Underwriting Classification System

**AGENCY:** Federal Crop Insurance Corporation, USDA.

**ACTION:** Advanced Notice of Proposed Rulemaking; Request for Comments.

**SUMMARY:** This notice announces a public comment period on the Nonstandard Underwriting Classification System (NCS) which is administered by the Federal Crop Insurance Corporation (FCIC) in conjunction with the Federal crop insurance program. The NCS program compares an individual producer's crop loss history with the losses for the producer's county. If the producer exceeds the level of loss frequency and severity set by FCIC, the producer's rates and coverages are adjusted to bring the policy into line with FCIC's statutory mandate to implement an actuarially sound crop insurance program. Concurrently, the loss histories for these NCS producers are removed from the accumulated program statistics which are used to set the insurance rates for the remainder of the policyholder population. This has the effect of moderating rate increases for the majority of producers by making high loss producers responsible for paying more premium based on their individual risk.

A number of interested parties, including producer groups and insurance agent associations, have indicated that NCS does not treat producers fairly and that it does not correctly identify those producers who represent greater risk to the crop insurance program based on their individual loss histories. These comments have come at a time when FCIC is seeking ways to improve the NCS process relative to reducing the

administrative burden of the program. In its current form, NCS creates a significant amount of work to review individual producers who are selected under the current NCS regulations.

FCIC is soliciting comments concerning improving NCS in a manner consistent with the administration of an actuarially sound crop insurance program.

**DATES:** Submit comments on or before October 17, 1997.

**ADDRESSES:** Interested persons are invited to submit written comments to the Director, Claims and Underwriting Services Division, Risk Management Agency, United States Department of Agriculture, 1400 Independence Avenue, S.W., STOP 0803, room 6749-S, Washington, D.C. 20250-0803. A copy of each response will be available for public inspection and copying during regular business hours (7:00 a.m. to 4:30 p.m., Eastern Time, at the above address).

**FOR FURTHER INFORMATION CONTACT:** Michael F. Hand, Director, Claims and Underwriting Services Division, Risk Management Agency, at the Washington, D.C. address listed above, telephone (202) 720-3439.

#### SUPPLEMENTARY INFORMATION:

**Title:** Nonstandard Underwriting Classification System. 7 CFR part 400, subpart O.

**Respondents/Affected Entities:** Parties affected by the NCS process and any changes which may occur as a result of this review include producers, insurance companies reinsured by FCIC, and insurance agents.

**Abstract:** FCIC is conducting a review of the NCS program to address reported and identified problems with the process as it currently exists. FCIC had previously identified a need to change the system consistent with a need to simplify the crop insurance program in general and reduce the time and resources needed to administer NCS each year. The goal was to identify advances in the availability of crop insurance program data and computer processing capabilities and use these improvements to automate the NCS process.

Subsequent to the start of the automation improvement effort, FCIC began to receive comments regarding perceived problems with the NCS selection process. For many producers

in the Upper Midwest and Southwest, 1997 was the third year of consecutive flooding or drought respectively. Producers who had received crop insurance payments in 1995 and 1996 were concerned that the 1997 losses in conjunction with any other loss history they had would result in their being placed on NCS. Combined with the increasing emphasis being placed on crop insurance by lending institutions, some producers worried that a sharp increase in premium rates or adjustment to their coverage could adversely impact their ability to obtain financing. Additional comments received reflected concerns about the impact of NCS on new producers and other situations which might be viewed as being unfair relative to the NCS selection process.

FCIC is seeking public comment on a range of options being considered to address the above stated issues. These options include but are not limited to: (a) Eliminate the NCS program altogether; (b) amend the current NCS program regulations as needed in order to address identified issues (to include moderation of premium increases and changes to recognize and exclude widespread disasters.); (c) implement an entirely new NCS process that would segregate producers with excessive crop insurance losses and rate their policies separate from the mainstream producer population (proposals include the use of premium adjustment tables to identify excessive ratios, using Actual Production History (APH) yield floors to trigger higher premium rates, or other means of identifying the frequency and severity of losses); (d) maintain the current NCS program and adjust the process to achieve administrative efficiencies and assure fair and equitable determinations; and (e) place a two year moratorium on the current regulation to delay adding any new NCS selections until acceptable program changes can be implemented. If sufficient consensus exists, FCIC would consider implementing the revised NCS process for the 1999 crop year.

**Background:** The NCS program was implemented in 1991 in response to data analysis which showed that a relatively small number of crop insurance policyholders were receiving as much as twenty-eight (28) percent of the indemnities for the period reviewed. The purpose of NCS was to isolate producers with adverse loss experience

exceeding established limits and rate them separately from the rest of the policyholder population. This concept is consistent with other private and public insurance programs which have the means to identify participants with high losses and separately rate them for the risk associated with the losses they have incurred. In 1997 25,126 NCS listings appeared on county crop actuarial documents. This number, which is less than two percent of the policyholders with active crop policies in 1996, includes producers no longer actively engaged in farming, as well as duplicate names for those producers who farm multiple crops or farm in more than one county. The list does not include other persons who share in the crop with a NCS producer, but who are required to pay the same NCS rates as the listed producer. The primary benefit of the NCS program is that by individually rating high loss producers under this process, FCIC is able to exclude their loss histories from the premium rating formulas. It has been estimated that on a crop policy basis, this saves non-NCS producers from five to nine percent on the cost of their crop insurance coverage. It has also been estimated that if NCS were eliminated, the reintroduction of the loss history into the rating pool would result in across the board premium increases for all non-NCS producers of \$50 to \$90 per crop policy annually.

Under the current NCS regulations, producers are selected for NCS adjustment if they meet the following criteria:

- (1) Three or more indemnified losses during the NCS base period, (The base period generally means ten consecutive crop years. The base period for 1998 NCS selections is 1987–1996 for most crops.)
- (2) Cumulative indemnities exceed same period cumulative premiums by at least \$1,000.
- (3) A premium has been earned in at least one of the most recent 4 crop years in the base period.
- (4) The result of dividing the number of indemnified losses during the base period by the number of years premium is earned is equal to, or greater than, .60.
- (5) Either of the following apply:
  - (a) The "Z" score (a reference loss ratio used to ensure comparability between producers) equals 2.00 or greater; or
  - (b) Five or more indemnified losses have occurred during the NCS base period and the cumulative loss ratio equals 1.50 or greater.

The consecutive occurrence of widespread adverse weather conditions in the Upper Midwest and Southwest, at

the same time when changing U.S. farm policy has increased producer's reliance on crop insurance, has resulted in a greater awareness of the NCS program. Some producers are concerned that their recent losses will be followed by selection for NCS rate or coverage adjustments. This concern has also been echoed by producer organizations and elected representatives. FCIC had formulated a two tiered strategy to deal with these concerns. The short-term plan was to thoroughly review the 1998 NCS selections to ensure that producers who had been impacted by widespread disasters were not placed on NCS based primarily on losses associated with the disasters. For the longer term, FCIC was to survey interested parties about NCS and form a work group to recommend changes to the NCS program for the 1999 crop year. The survey was completed and the responses received reviewed. The work group was not formed because of concerns relating to the Federal Advisory Committee Act. Instead, FCIC has determined to seek public comment regarding the NCS process through the **Federal Register** and this notice. Comments received in response to the original survey will be considered in conjunction with any comments received in response to this notice.

#### Executive Order 12866

The Office of Management and Budget (OMB) has determined this rule to be not significant for the purposes of Executive Order 12866, and, therefore, this rule has not been reviewed by OMB.

Signed in Washington, D.C., on September 12, 1997.

**Kenneth D. Ackerman,**  
Manager, Federal Crop Insurance Corporation.

[FR Doc. 97-24770 Filed 9-16-97; 8:45 am]

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## DEPARTMENT OF TRANSPORTATION

### Federal Aviation Administration

#### 14 CFR Part 39

[Docket No. 97-ANE-05]

RIN 2120-AA64

#### Airworthiness Directives; Pratt & Whitney JT8D Series Turbofan Engines

**AGENCY:** Federal Aviation Administration, DOT.

**ACTION:** Notice of proposed rulemaking (NPRM).

**SUMMARY:** This document proposes the superseding of an existing airworthiness directive (AD), applicable to Pratt & Whitney JT8D series turbofan engines, that currently requires a determination of the utilization rate and coating type of the 7th, 8th, 9th, 10th, 11th, and 12th stage high pressure compressor (HPC) disks, and removal, inspection for corrosion, and recoating of those HPC disks based on utilization rate. This action would shorten the inspection interval for certain low utilization disks. This proposal is prompted by reports of an additional uncontained 9th stage HPC disk failure due to corrosion pitting. The actions specified by the proposed AD are intended to prevent fracture of the HPC disks, which can result in uncontained release of engine fragments, inflight engine shutdown, and airframe damage.

**DATE:** Comments must be received by November 17, 1997.

**ADDRESSES:** Submit comments in triplicate to the Federal Aviation Administration (FAA), New England Region, Office of the Assistant Chief Counsel, Attention: Rules Docket No. 97-ANE-05, 12 New England Executive Park, Burlington, MA 01803-5299. Comments may also be sent via the Internet using the following address: "9-ad-engineprop@faa.dot.gov". Comments sent via the Internet must contain the docket number in the subject line. Comments may be inspected at this location between 8:00 a.m. and 4:30 p.m., Monday through Friday, except Federal holidays.

The service information referenced in the proposed rule may be obtained from Pratt & Whitney, 400 Main St., East Hartford, CT 06108; telephone (860) 565-6600, fax (860) 565-4503. This information may be examined at the FAA, New England Region, Office of the Assistant Chief Counsel, 12 New England Executive Park, Burlington, MA.

**FOR FURTHER INFORMATION CONTACT:** Christopher Spinney, Aerospace Engineer, Engine Certification Office, FAA, Engine and Propeller Directorate, 12 New England Executive Park, Burlington, MA 01803-5299; telephone (781) 238-7175, fax (781) 238-7199.

#### SUPPLEMENTARY INFORMATION:

##### Comments Invited

Interested persons are invited to participate in the making of the proposed rule by submitting such written data, views, or arguments as they may desire. Communications should identify the Rules Docket number and be submitted in triplicate to the address specified above. All