



## **NRDC Request for Proposals for Actuarial Analysis of a Federal Crop Insurance Program §508(h) Pilot Cover Crop Endorsement**

### **Background**

The Natural Resources Defense Council (NRDC) is a non-profit organization dedicated to protecting public health and the environment. NRDC is requesting proposals from qualified and experienced contractors to assist in the development of a §508(h) pilot crop insurance program, which would offer actuarially sound crop insurance discounts to producers whose appropriate use of cover crops puts them at a lower risk for crop loss. NRDC is especially interested in applications from firms with prior experience working with the Risk Management Agency (RMA).

Proposals should be submitted in accordance with the requirements set in this document. Only written proposals shall be considered. All materials you submit shall become part of your proposal, and may be incorporated in a subsequent contract with NRDC if you are selected. Below is a scope of work and proposal requirements for interested bidders.

NRDC understands that the work described in this RFP may not be able to be completed in its entirety for the proposed budget. The proposal should include a description of the tasks that can be completed for the proposed budget and a suggested schedule and budget to complete the remaining tasks.

### **Statement of Work and Deliverables**

#### **Introduction**

The Federal Crop Insurance Program is the largest federal farm program, with nearly 300 million acres enrolled in the 2014 crop year. This program is designed to help producers manage risk; however, it is not currently designed to take advantage of a key risk management tool—soil health. Encouraging greater adoption of proven soil-building practices such as cover cropping on crop insurance-covered acres can reduce yield variability and weather-related crop losses, and ultimately improve the function of this program.

NRDC would like to propose a pilot program that would offer actuarially sound discounts to farmers whose use of cover crops simultaneously improves environmental outcomes and makes them a lower risk to insure. Through this proposal, NRDC seeks an assessment of the actuarial relationship between cover cropping and risk of crop loss. We also seek assistance developing and implementing a crop insurance pilot program that will encourage producers to view soil health as an economically preferable risk management tool that reduces yield variability and improves yield. Our goal is to enroll 10 million acres in a cover crop pilot program within the next two years.

## RFP Schedule

- April 16, 2015 – Release RFP for pilot program
- May 15, 2015 – Proposals Due
- May 20, 2015 – Select winning proposal
- May 22, 2015 – Finalize contract

## Acronyms and Abbreviations

FCIC – Federal Crop Insurance Corporation

NRCS – Natural Resources Conservation Service

NRDC – Natural Resources Defense Council

RFP – Request for Proposals

RMA – Risk Management Agency

SARE – Sustainable Agriculture Research and Education

USDA – United States Department of Agriculture

## **Scope of Work**

### Overview

The Federal Crop Insurance Act provides that RMA may reduce premium rates in a pilot program if the following conditions are met:

- (i) the interests of producers are adequately protected within the pilot area;*
- (ii) rates of premium are actuarially appropriate, as determined by the Board;*
- (iii) the size of the proposed pilot area is adequate;*
- (iv) the proposed policy or plan of insurance would not unfairly discriminate among producers within the proposed pilot area;*
- (v) if the proposed policy or plan of insurance were available in a geographic area larger than the proposed pilot area, the proposed policy or plan of insurance would--*
  - (I) not have a significant adverse impact on the crop insurance delivery system;*
  - (II) not result in a reduction of program integrity;*
  - (III) be actuarially appropriate; and*
  - (IV) not place an additional financial burden on the Federal Government; and*

(vi) the proposed policy or plan of insurance meets other requirements of this subchapter determined appropriate by the Board. (7 U.S.C.A. § 1523(d)(2)(B) (West)).

The analysis to be conducted under this RFP should primarily assess item ii—the actuarial appropriateness of a premium reduction for appropriate use of cover crops. The analysis should also briefly discuss the remaining requirements for a premium reduction pilot program.

### Discussion

The analysis conducted under this RFP should determine an actuarially sound rate for a cover crop pilot program, taking into account the requirements of 7 U.S.C.A. § 1523(d), as described above. It should also keep in mind the following considerations:

#### *Management Practices*

NRDC is specifically interested in cover crops' ability to reduce weather-related crop losses. The analysis should determine actuarially sound rates for growers who use cover crops in accordance with NRCS and RMA guidelines.

#### *Locations*

NRDC is interested in piloting the cover crop endorsement in areas with the greatest opportunity to improve environmental outcomes through increased cover crop adoption, particularly in areas where nitrate leaching is causing water quality problems and areas that have historically high payouts or prevented planting acreage.

David, et al. (2010), which is referenced below, identified counties where nitrate leaching is especially problematic. NRDC would like to specifically examine the viability of conducting a cover crop pilot program in the counties identified in David, et al., but will consider other locations at the suggestion of the awardee.

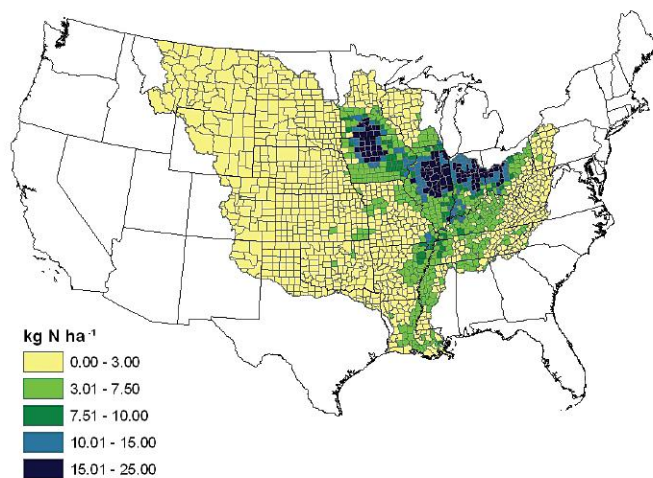


Fig. 8. Predicted average riverine nitrate N yield, January to June, for all counties in the Mississippi River basin for the period 1997 to 2006.

*David et al., 2010*

Information on payouts and prevented planting acres can be found in RMA's Actuarial Information browser, which is available online: <http://www.rma.usda.gov/tools/>.

### *Data Sources and Methodology*

Side by side field trials provide ideal data for determining actuarial soundness of crop insurance premiums. To the greatest extent possible, analysis conducted should rely on existing side by side field trials, but applicants are not expected to conduct their own field trials.

NRDC understands that side by side trials on cover crops are not the only data that may be used to determine actuarial soundness. Proposals should consider including other data to support a cover crop pilot program, including developing a model based on a meta-analysis of cover crop literature. The methodology and data sources used should be transparent and available to NRDC staff for review.

### *Potential for Follow-Up Work*

Upon successful completion of the analysis described in this RFP, NRDC will consider extending the contract to include shepherding the proposal through the RMA and FCIC's pilot program approval process. The results of the initial analysis will determine whether NRDC chooses to extend the contract.

### Deliverables

The selected consultant shall:

- Issue a Work Plan to be provided to NRDC within two weeks of the contract award;
- Develop a methodology to determine the actuarial soundness of a cover crop pilot program and solicit input from RMA and make necessary adjustments; and
- Provide a report describing the analysis conducted and recommendations about the viability of a cover crop pilot program.

### Additional Requirements

The consultant shall participate in a kick-off meeting to occur within ten days of contract signing. The meeting can occur by phone or in person at one of NRDC's offices.

The consultant shall submit brief written progress reports (i.e., no more than 2 pages long) to NRDC summarizing recent project-related activities and upcoming efforts on a semi-monthly basis.

### Reference Materials

The following reference items may prove useful in the preparation of your proposal.

- [David, M.B., Drinkwater, L.E., McIsaac, G.F., 2010. Sources of nitrate yield in the Mississippi River basin. J. Environ. Qual. 39, 1657–1667](#)
- Monsanto's Submission to the FCIC for a §508(h)/523(d) Biotech Yield Endorsement pilot, redacted copy received via the Freedom of Information Act, available on request
- [NRCS, Cover Crop Termination Guidelines Version 3, 2014.](#)
- [O'Connor, C., 2012. Soil Matters. NRDC.](#)

- [SARE Cover Crop Surveys from 2012, 2013, and 2014.](#)
- [USDA 2012 Census of Agriculture Cover Crop data.](#)
- [USDA Risk Management Agency Information Browser](#)

### **Financial Information and Proposal Requirements**

All work will be performed under the direct supervision of NRDC’s Staff Attorney, Claire O’Connor, based in Santa Monica, and Soil Health Fellow, Lara Bryant, based in Washington, D.C. NRDC’s total budget for this work is **\$75,000**. **The contract between NRDC and the winning bidder(s) will be set on a time and materials, not to exceed, basis.** Payment will be made on a reimbursement basis under the terms and conditions of NRDC’s standard contract. All work must be completed by August 31, 2015 and the consultant should base their proposal on a late May start date.

Bidder’s proposals must contain the following:

- Narrative describing how your firm will approach the items described in the above scope of work section. Where appropriate, list specific deliverables you plan to provide during this work. Rather than simply repeat the scope of work, we are seeking a brief explanation for each topic that demonstrates your firm understands the issues and clearly states what you plan to do and how you plan to do it.
- Budget – Provide a breakdown of labor (including hours and billing rate of key staff), anticipated travel and expenses, and any other charges your firm may assess. NRDC is unable to compensate bidders for any expenditure related to developing the proposal.
- Summary of relevant projects performed by your firm. Be sure to demonstrate your firm’s prior work in this area and ability to: a) handle the technical requirements; b) help develop consensus with a wide range of stakeholders; and c) develop and implement market transformation strategies. *This section shall not exceed 4 pages.*
- Staffing plan – list the specific staff that will work on this project and clearly define their roles (“who will do what?”) and each person’s expected level of participation.

Bids that include more than one firm and/or subcontractors are acceptable provided within the bid each firm’s roles and qualifications are clearly delineated.

- References – Provide two references we can contact to discuss your firm’s prior work.
- Conflict of Interest – The bidder shall clearly state any areas of potential conflict of interest. NRDC will review these disclosures and may choose to disqualify the consultant for a certain portion of the work and/or modify the scope and work plan accordingly to eliminate such issues.

- Proposal Submission – **Bids are due at NRDC no later than 5 pm PST on May 15, 2015 and should be sent electronically.** Submissions should be sent to:

Claire O’Connor  
Staff Attorney  
[coconnor@nrdc.org](mailto:coconnor@nrdc.org)

Lara Bryant  
Soil Health Fellow  
[lbryant@nrdc.org](mailto:lbryant@nrdc.org)

### **Other Information**

NRDC reserves the right to reject all proposals and make no award as a result of this solicitation.

NRDC will score each of the bids received and we plan to apply the following scoring criteria during our evaluation:

- Work plan (45%) – Demonstrate understanding of issues and offer sound approach for doing the work.
- Firm/Team Expertise (25%) – Assess prior experience and skills of proposed team and compare task needs to assigned staff.
- Budget (15%) – Assess bang for the buck.
- Creativity/Resourcefulness (10%)