

2008 LIVESTOCK PRICE REINSURANCE AGREEMENT

between the

FEDERAL CROP INSURANCE CORPORATION

and the

(Insurance Company Name) (Hereafter “Company”)

(City and State)

This Agreement establishes the terms and conditions under which the Federal Crop Insurance Corporation (FCIC), supervised by the Risk Management Agency (RMA) as authorized in section 226A of the Federal Agriculture Improvement and Reform Act of 1996, will provide subsidy and reinsurance on eligible livestock price insurance contracts sold by the Company for the above referenced reinsurance year. This Agreement is authorized by the Act and regulations of FCIC published at 7 C.F.R. chapter IV (regulations).

This is a cooperative financial assistance agreement between FCIC and the Company to deliver eligible livestock price insurance contracts under the authority of the Act. For the purposes of this Agreement, use of the plural form of a word includes the singular and use of the singular form of a word includes the plural unless the context indicates otherwise. The Table of Contents and headings in this Agreement are descriptive only and have no legal effect on FCIC or the Company.

This Agreement becomes effective upon its execution and the approval of the Company's Plan of Operations by FCIC and is only effective for the above-stated reinsurance year.

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SECTION I. DEFINITIONS

To the maximum extent practicable, terms that have been defined in the incorporated regulations and the Act will be given the same meaning for the purpose of this Agreement. Since some terms may have more than one definition in the regulations and the Act, the specific regulation or section of the Act to be used will be specified herein.

“Act” in lieu of the definition in the incorporated regulations, means the Federal Crop Insurance Act (7 U.S.C. 1501 *et seq.*) and section 536 of the Agricultural Research, Extension, and Education Reform Act of 1998 (7 U.S.C. 1506 note).

“Livestock Report” means the hard copy and electronic data processing (EDP) compatible information distributed by FCIC that contains premium rates, prices, and related information concerning the livestock plan of insurance program for a reinsurance year.

“A&O subsidy” means the subsidy for the administrative and operating expenses paid by FCIC on behalf of the policyholder to the Company for eligible livestock price insurance contracts.

“Affiliate” means any person, including but not limited to a managing general agent, agent, service provider and loss adjuster, that: 1) collects premiums, services the policy, adjusts, or settles claims; 2) collects, processes, manages and reports electronic data for the purposes of selling, administering, or servicing eligible livestock price insurance contracts for the Company; or 3) directly or indirectly, through one or more intermediaries, has the authority to control any aspect of the management of the book of business or any other decision made under this Agreement, without the prior and specific approval from the Company. This definition excludes commercial reinsurers and PICs if such reinsurers or PICs do not have the authority to control any aspect of the management of the book of business or any other decision made under this Agreement, without the prior and specific approval from the Company.

“Agency” means the person authorized by an AIP, or its designee, to sell and service eligible livestock price insurance contracts under the Federal crop insurance program.

“Agent” means the individual licensed by the State in which an eligible livestock price insurance contract is sold and serviced for the reinsurance year, and who is under contract with the Company, or its designee, to sell and service such eligible livestock price insurance contracts.

“Agreement” means this Livestock Price Reinsurance Agreement, including Appendices, the Act, in effect as of the July 1 start of the reinsurance year, unless otherwise provided for in the Agreement. Unless specifically provided for in this Agreement, if there is a conflict between a provision of the Act the regulations, or procedures with the terms of this Agreement, the order of precedence will be: (1) the provisions of the Act; (2) the regulations; (3) this Agreement; and (4) the procedures, with (1) controlling (2) and (2) controlling (3), etc. The Act and regulations are available on the RMA website (www.rma.usda.gov).

“Approved insurance provider (AIP)” means a legal entity, including the Company, which has entered into a Livestock Price Reinsurance Agreement with FCIC for the reinsurance year.

“Billing date” means the date specified in the actuarial data master file as the date by which policyholders are billed for premium due on eligible livestock price insurance contracts.

“Book of business” means the aggregation of all eligible livestock price insurance contracts in force between the Company and its policyholders that have a sales date within the reinsurance year and are eligible to be reinsured under this Agreement.

“Board” means the FCIC Board of Directors.

“Cancellation date” has the same meaning as the term “cancellation date” in the applicable eligible livestock price insurance contract.

“Cede” means to pass to another all or part of the net book premium and associated liability for ultimate net losses on eligible livestock price insurance contracts.

“Claim” means a request under an eligible livestock price insurance contract for an indemnity in an amount certain on a Company form that meets FCIC’s standards.

“Claims supervisor” means any person having immediate or day-to-day supervisory control, management or oversight authority of the activities of loss adjusters or other persons who determine whether an indemnity will be paid and the amount thereof.

“Company payment date” means the last business day of the month.

“Competing agency” means an agency selling or servicing any eligible livestock price insurance contract in any county (including all counties adjoining such county) in which another agency has sold or is in the process of selling any eligible livestock price insurance contract.

“Contract change date” has the same meaning as the term “contract change date” in the applicable eligible livestock price insurance contract.

“e-Data Acceptance System (e-DAS)” means any EDP system that receives, and accepts or rejects Company-submitted data for eligible livestock price insurance contracts.

“Eligible livestock price insurance contract” means an insurance contract for livestock, authorized by the Act and approved by FCIC, with terms and conditions in effect as of the applicable contract change date, that is sold and serviced consistent with the Act, FCIC regulations and the procedures and this Agreement, having a sales date within the reinsurance year, and with an eligible producer.

“Eligible producer” means a person who has an insurable interest in livestock, who has not been determined ineligible to participate in the Federal crop insurance program, and who possesses a United States issued social security number (SSN) or employer identification number (EIN).

“Familial relationship” means the same as “relative.”

“FCIC payment date” means the first banking day following the 14th calendar day after FCIC receives the signed, certified monthly or annual settlement report and supporting data from the Company upon which any payment is based.

“Federal workday” means any day when Federal Government offices are open for business, excluding Saturdays, Sundays, and Federal Holidays.

“File review” means the review of documents contained in a policyholder’s file maintained by the Company or its affiliate to verify that the information to support a claim is accurate based on information required to be obtained under the applicable procedures and that supporting documents, including actuarial materials, have been properly used in document completion.

“Insurable interest” has the same meaning as the term “share” in the applicable eligible livestock price insurance contract.

“Loss adjuster” means a person who verifies information affecting the coverage and makes factual determinations regarding the existence or amount of loss under an eligible livestock price insurance contract.

“Loss ratio” means the ratio calculated by dividing the ultimate net loss by the net book premium, expressed as a percentage. For example, the ratio of \$1 ultimate net loss to 50 cents net book premium would be expressed as 200 percent.

“Managing General Agent” means an entity that meets the definition of managing general agent under the laws of the State in which such entity is incorporated and in every other state in which it operates, or in the absence of such State law or regulation, meets the definition of a managing general agent or agency in the National Association of Insurance Commissioners Managing General Agents Act, or successor Act.

“Material” means an act or omission that, as determined by FCIC, would: 1) cause FCIC to assume a significant additional risk it would not otherwise have assumed but for the act or omission; 2) cause the amount paid by or to FCIC to significantly differ from the amount that would otherwise be paid or owed but for the act or omission; 3) likely preclude or make it substantially more difficult to carry out the requirements of the Agreement and procedures; or 4) create a program vulnerability that could cause a payment to be made that would be significantly different than would otherwise be if the act or omission had not occurred.

“Net book premium” means the total premium as determined in section IV.B.7. calculated for all eligible livestock price insurance contracts, less A&O subsidy, cancellations, adjustments and administrative fees.

“Person” means an individual or legal entity.

“Plan of Insurance” means a type of a livestock price insurance contract such as the Livestock Revenue Protection and Livestock Gross Margin plan of insurance.

“Plan of Operations” means the documents and information the Company must submit in accordance with section IV.F.2., Appendix II, and applicable procedures.

“Policy Issuing Company (PIC)” means an insurance company that issues eligible livestock price insurance contracts reinsured under this Agreement on behalf of the Company.

“Policyholder” means an eligible producer who has been issued one or more eligible livestock price insurance contracts.

“Private Market Instrument” means any instrument such as an option, future, or forward contract, but not commercial reinsurance, that is used to transfer or hedge risk retained by the Company under this Agreement, and that is purchased through the Chicago Mercantile Exchange, the Chicago Board of Trade, the Minneapolis Board of Trade, or the Kansas City Board of Trade, to cover the risks insured by the eligible livestock price risk insurance contract.

“Procedures” means the applicable handbooks, manuals, bulletins, memorandums or other directives issued by FCIC related to the eligible livestock price insurance contract and this Agreement.

“Producer premium” means that portion of the premium for an eligible livestock price insurance contract payable by the policyholder.

“Rebate” means a direct or indirect benefit (including money, goods or services for which payment is usually made [except any service provided to fulfill an obligation of the Company under this Agreement]) provided to an eligible producer contingent upon the purchase of an eligible livestock price insurance contract from the Company or its affiliate.

“Records” means documentation in any form that relates to an eligible livestock price insurance contract or this Agreement. Such documentation includes original signed documents and any other documents or electronic information either produced by the Company or its affiliate or obtained from outside sources or the policyholder that are utilized by the Company or its affiliate to establish, calculate, verify or determine a policyholder’s program eligibility, insurance coverage, livestock production, premium, liability, or indemnity.

“Reinsurance year” means the period from July 1, 2007 through June 30, 2008.

“Relative” means an individual who: 1) is a parent, brother, sister, child, spouse, grandchild, or grandparent; or 2) either resides in the household of, or engages in business with respect to a farming operation with the person in question regardless of whether or not the individual is related by blood, adoption or marriage.

“Retained” as applied to ultimate net losses, net book premium, or book of business, means the remaining liability for ultimate net losses and the right to associated net book premiums after all reinsurance ceded to FCIC under this Agreement.

“Risk subsidy” means that portion of the premium for an eligible livestock price insurance contract paid by FCIC on behalf of the policyholder.

“Sales supervisor” means any person having immediate or day-to-day supervisory control, management or oversight authority of the activities of sales agents, or sales agency employees on behalf of the Company.

“Satisfactory performance record” means a record of performance that demonstrates substantial conformity with applicable requirements as specified in section II.A.9. Continued failure to meet such requirements is a determining factor in evaluating satisfactory performance.

“Service provider” means managing general agents, and any other entity (other than an agent or agency) who issues or services eligible crop insurance contracts, prepares or transmits data, or, who on a regional, State or other area basis, provides loss adjustment services. Regardless of any other factor, a service provider is an affiliate.

“Signature” means the affixing of a person's name in a distinctive way as a form of identification or authorization, including in an electronic or digital form as approved by FCIC.

“Transaction cutoff date” for weekly data reporting is 8 p.m. Central time on Friday of each week and for monthly data reporting is 8 p.m. Central time on Friday after the first Sunday of the month. Notwithstanding any other Livestock Price Reinsurance Agreement, this definition shall apply to all prior Livestock Price Reinsurance Agreements.

“Ultimate net loss” means the amount paid by the Company under any eligible livestock price insurance contract reinsured under this Agreement in settlement of any claim and in satisfaction of any judgment, arbitration award, or mediation (including any interest awarded as specified in section IV.R.5.a.) rendered on account of a claim under an eligible livestock price insurance contract, less any recovery or salvage by the Company.

“Underwriting” means the determination of the terms and conditions by which the Company will accept the risk for an eligible livestock price insurance contract.

“Underwriting Capacity Manager” (UCM) means an FCIC system that monitors the amount of insurance authorized to be insured or reinsured, and accepts or rejects the application of an eligible producer based on the availability of such amount of insurance, if limits have been placed by Federal legislation or FCIC on the amount of insurance authorized to be insured or reinsured.

“Underwriting gain” means the amount by which the Company’s share of retained net book premium exceeds its retained ultimate net losses.

“Underwriting loss” means the amount by which the Company’s share of retained ultimate net losses exceeds its retained net book premium.

SECTION II. REINSURANCE

A. General Terms

1. Only eligible livestock price insurance contracts will be reinsured and subsidized under this Agreement. Notwithstanding paragraph 2, applications for eligible livestock price insurance contracts that are rejected by the UCM, as applicable, will not be eligible for reinsurance or A&O or risk subsidies.
2. Except as specified below, the Company must offer and market all plans of insurance for all livestock in any State where actuarial documents are available in which it writes an eligible livestock price insurance contract and must accept applications from all eligible producers. The Company may not cancel an eligible livestock price insurance contract held by a policyholder so long as the policyholder remains an eligible producer, underwriting capacity is available, and the Company continues to write eligible livestock price insurance contracts within the State. The Company is not required to offer such plans of insurance as may be approved by FCIC under the authority of section 508(h) of the Act. However, if the Company chooses to offer any such plan, it must offer the plan in all approved states in which it writes an eligible livestock price insurance contract and it must comply with all provisions of this paragraph as to such plan.
3. In exchange for the reinsurance premiums provided by the Company pursuant to this Agreement, FCIC will provide the Company with reinsurance in accordance with the provisions of this Agreement.
4. A Company and its affiliates are prohibited from providing a rebate except as authorized in sections 508(b)(5)(B) and (e)(3) of the Act (7 U.S.C. 1508(b)(5)(B) and 1508(e)(3)). For the purposes of this paragraph, the term “cooperative association” means a farmer or rancher-owned and controlled business that is recognized by the U.S. Department of Agriculture, including FCIC, as a cooperative related to agriculture. The term “trade association” will be defined in procedures; however, a trade association shall not include an organization that is formed for the purpose of providing insurance.
5. Violation of paragraph 4. will result in the denial of reinsurance (which, as used throughout this Agreement, includes A&O subsidy and risk subsidy) for all eligible livestock price insurance contracts for which such violation occurred and may subject the person who committed the violation to administrative sanctions, including disqualification under the Act or applicable regulations.
6. The Company shall ensure that all of its employees, agents, agency employees, loss adjusters and contractors that act on behalf of the Company with respect to the applicable procedures and requirements associated with selling and servicing eligible livestock price insurance contracts are properly licensed by the State in which they are doing business if required by the State, certified by FCIC, as applicable, and trained in accordance with Appendix IV. Such training shall include curricula concerning requirements under

applicable Federal civil rights statutes; and methods to encourage participation of limited resource, women, minority, and under served producers.

- a. The Company is responsible for the development and maintenance of training records in accordance with section IV.F. (similar records shall be kept regarding certification of loss adjusters, agents, and others required under this Agreement, as applicable) that contain:
 - i. A list of the individuals who must be trained and the training required for each;
 - ii. A copy of the curriculum used for all required training sessions;
 - iii. When, where, how, and by whom such training was provided; and
 - iv. A list of all individuals who successfully completed the required training.
 - b. Any employee, agent, agency employee, loss adjuster and contractor who is not licensed if required by the State in which they are doing business, who does not successfully complete the training required by FCIC, or is not certified if required by FCIC, may not act on behalf of the Company with respect to the sales or service of eligible crop insurance contracts.
7. Only the amount of net book premium authorized by FCIC in the approved Plan of Operations, including any amendments under section IV.E.2.c.ii, may be reinsured and subsidized under this Agreement.
 8. The Company shall have the financial and operational resources, organization, experience, internal controls, and technical skills to meet the requirements, including addressing reasonable risks, associated with the Agreement, including 7 C.F.R. part 400, subpart L, as determined by FCIC. The Company shall provide information necessary to evaluate compliance with this paragraph as often as required by FCIC. If at any time during the reinsurance year FCIC cannot determine that the Company is in compliance with the requirements of this paragraph or FCIC learns that the Company may be in substantial risk for failure to comply with the requirements of this paragraph, the Company must take corrective actions acceptable to FCIC in accordance with section IV.G.4., or be subject to the remedies provided for in this Agreement.
 9. The Company must demonstrate a satisfactory performance record to obtain an Agreement and continue to hold an Agreement. The following will be reviewed to determine whether there is a satisfactory performance record:
 - a. In the most recent five reinsurance years, the Company and service providers must demonstrate:
 - i. Substantial conformity with the requirements of this Agreement, the regulations and procedures of FCIC as applicable;

- ii. Any material deficiency was caused by circumstances beyond the Company's control, and where, as soon as the Company discovered the deficiency, the Company took timely and appropriate corrective action;
 - iii. There was no material misconduct on the part of the Company or its service providers; and
 - iv. To the satisfaction of FCIC, any other mitigating factors that would prove, notwithstanding any identified deficiency, the Company has a satisfactory performance record.
 - b. Whether the Company can, to the satisfaction of FCIC, demonstrate the ability to comply with the requirements of paragraph 8.;
 - c. Whether the Company can demonstrate the ability to fulfill the requirements under this Agreement under various risk assessment scenarios, including but not limited to significant nationwide losses, the loss or failure of a service provider or other risks as identified by FCIC.;
 - d. Whether FCIC or a State has identified any material deficiencies that may raise questions or concerns regarding the Company's ability to meet the requirements of this Agreement; and
 - e. If the Company previously has not been an AIP, it must demonstrate a reasonable probability that it will be able to maintain a satisfactory performance record under this paragraph.
10. Failure to meet the conditions stated in paragraphs 8. and 9., may subject the Company to appropriate remedies in this Agreement, including but not limited to denial of an Agreement, suspension of the Agreement or a reduction in the net book premium the Company is authorized to write.
11. Unless otherwise specifically approved by FCIC in advance in writing, the Company may only delegate its authority or control over the designation of eligible livestock price insurance contracts to the Private Market Fund to its managing general agent and the Company must include the delegation in its Plan of Operation.
12. Failure of the Company to comply with the provisions of this Agreement, including timely submission of data and reports, does not excuse or delay the Company's requirement to pay any amount due to FCIC by the dates specified herein.
13. As a condition of reinsurance, prior to commencing any loss adjustment activities, in accordance with RMA livestock loss adjustment procedures, the Company must notify FCIC upon receiving notice of a potential claim on an eligible livestock price insurance contract, which is likely to exceed \$500,000, or such other amount as determined by FCIC.

- a. Within 3 business days of receiving notice by the Company, in accordance with FCIC procedures, of a potential claim under this subsection, FCIC will contact the Company to make arrangements to coordinate efforts, if FCIC determines such arrangements are required. FCIC, at its discretion, retains the right to participate in loss determinations in accordance with section V. of Appendix IV., and determine, revise, modify or correct any claim under this paragraph before such amounts may be paid. The Company may not conduct loss adjustment activities until the Company has either received the notification by FCIC described herein or the time period described herein has expired.
 - b. Company loss payments approved by FCIC will relieve the Company of further review by FCIC.
 - c. In the event FCIC participates in the field inspection in accordance with Appendix IV and loss determination, or determines, revises, modifies or corrects any claim for loss, FCIC shall be responsible for all subsequent disputes by the policyholder under the eligible livestock price insurance contract that relate to the actions of FCIC. The Company shall provide FCIC with cooperation and assistance as needed in any dispute.
 - d. For the purposes of this paragraph and Appendix IV.V. only, the term “potential claim” means receipt of a notice of loss on an eligible livestock price insurance contract that may result in an indemnity.
14. The Company shall fully cooperate with FCIC in the collection of information required under section 10708 of the Farm Security and Rural Investment Act of 2002.
 15. Neither the Company nor its affiliates shall assess service fees or additional charges on eligible livestock price insurance contracts reinsured and subsidized under this Agreement except as authorized by the Act or approved by FCIC in writing.
 16. Provisions relative to loss adjustment activities are not applicable to policies and plans of insurance, such as Livestock Risk Protection and Livestock Gross Margin, where loss adjustment procedures have not been issued by FCIC.

B. Reinsurance

All eligible livestock price insurance contracts accepted by the UCM will be automatically designated to the Commercial Fund. However, the Company may designate any eligible livestock price insurance contract accepted by the UCM to the Private Market Fund in accordance with Appendix III within two Federal workdays of acceptance of the contract by FCIC.

1. Private Market Fund

- a. Proportional: The Company will cede to FCIC at least five percent (5%) and no more than sixty-five percent (65%) of total net book premium and associated liability for

ultimate net losses on eligible livestock price insurance contracts, as designated in its Plan of Operations for the reinsurance year. Such percentage designation must be made in five percent (5%) increments.

2. Commercial Fund

- a. Proportional: The Company will cede to FCIC from zero to sixty-five percent (65%) of total net book premium and associated liability for ultimate net losses on eligible livestock price insurance contracts, as designated in its Plan of Operations for the reinsurance year. Such percentage designation must be made in five percent (5%) increments.
- b. Non-Proportional: Retained premium and associated liability from eligible livestock price insurance contracts designated to the Commercial Fund are subject to the following stop-loss coverage and premium:
 - i. FCIC shall provide two layers of stop-loss coverage:
 - I. First Layer: FCIC's participation on this layer shall be ninety percent (90%) of the amount by which the Company's aggregate ultimate net losses exceeds one hundred and fifty percent (150%) but is less than five hundred percent (500%) of aggregate net book premium retained by the Company.
 - II. Second Layer: FCIC's participation on this layer shall be one hundred percent (100%) of the amount by which the Company's aggregate ultimate net losses exceeds five hundred percent (500%) of aggregate net book premium retained by the Company.
 - ii. The Company shall pay to FCIC a reinsurance premium in an amount equal to four and a half percent (4.5%) of the net book premium retained by the Company for all eligible livestock price insurance contracts designated to the Commercial Fund.

C. Commercial Reinsurance/Private Market Instruments

1. The Company may use commercial reinsurance or private market instruments to transfer or hedge its liability for ultimate net losses remaining after all cessions under this Agreement. The Company shall not use private market instruments to transfer or hedge any liability for ultimate net losses:
 - a. For eligible livestock price insurance contracts contained in the Commercial Fund; or
 - b. Ceded to FCIC in either the Private Market Fund or Commercial Fund.

2. The Company will designate in its Plan of Operations whether it will use commercial reinsurance or private market instruments to transfer or hedge its retained liability for ultimate net losses remaining after all cessions to FCIC under this Agreement.
3. Commercial reinsurance required to meet the Company's obligations under this Agreement, unless otherwise specified by FCIC in writing, must meet the definition of, and the standard applicable to:
 - a. Reinsurance in the National Association of Insurance Commissioners (NAIC) Credit for Reinsurance Model Law, or a NAIC model successor law;
 - b. Standards for reinsurance under the NAIC Accounting Practices and Procedures Manual including any revisions or updates; and
 - c. Any other relevant standards developed by the NAIC for credit for reinsurance.

D. Contingency Fund

1. The Contingency Fund, which is part of the insurance fund authorized under section 516(c) of the Act (7 U.S.C. 1516(c)), is used to offset expenses incurred by FCIC to administer an AIP's book of business in the event of AIP supervision, rehabilitation, insolvency or operational deficiency, or an equivalent event, as determined by FCIC, or the Agreement is terminated for cause.
2. Any amounts owed to FCIC by the Company in accordance with sections., IV.H., and IV.J.4. will be accounted for in the Contingency Fund.

SECTION III. SUBSIDIES, EXPENSES, AND PAYMENTS

A. Subsidies and Expenses

1. Risk subsidy, for eligible livestock price insurance contracts will be the amount approved by the Board, and will be provided to the Company by FCIC at the first monthly settlement after the Company submits, and the UCM accepts, the eligible livestock price insurance contracts, and will be updated each month thereafter as needed.
2. A&O subsidy

Notwithstanding the provisions of this section, under no circumstances will A&O subsidy be paid in excess of the amount authorized by statute.

- a. A & O Subsidy for eligible livestock price insurance contracts will be the percent, approved by the Board, of the net book premium attributed to such eligible livestock price insurance contracts. Payment will be made by FCIC to the Company at the first monthly settlement after the Company submits, and the UCM accepts, the eligible livestock price insurance contracts, and will be updated each month thereafter as needed.

- b. In addition to other provisions of this Agreement, the amount of A&O subsidy may be adjusted to a level that FCIC determines to be equitable if issuing or servicing eligible livestock price insurance contracts involve expenses that vary significantly from the basis used to determine the A&O subsidy under this section.
- c. The SSNs of all agents and loss adjusters, as applicable, who perform any service or related activity under an eligible livestock price insurance contract, must be provided to FCIC in accordance with procedures. If the applicable SSN is not provided for an eligible livestock price insurance contract, the Company will not receive any reinsurance for that eligible livestock price insurance contract until the appropriate SSN is provided.

B. Payments

- 1. The Company shall pay to FCIC all premium ceded to FCIC as proportional reinsurance under the Private Market and Commercial Funds, and any non-proportional reinsurance premium on eligible livestock insurance contracts designated to the Commercial Fund at the first monthly settlement after the Company submits, and the UCM accepts, the eligible livestock price insurance contracts, and will be updated each month thereafter as needed.
- 2. FCIC shall pay to the Company all reinsurance benefits due the Company on business placed in the Private Market and Commercial Funds at the first monthly settlement after the Company submits, and FCIC accepts, the information needed to accurately establish the liability and losses for such eligible livestock price insurance contracts, and will be updated each month thereafter as needed.
- 3. At the Company's request, FCIC may, at its sole discretion, provide for bi-weekly settlements under paragraph (1) and (2).
- 4. All payments due FCIC from the Company will be netted on the monthly settlement report with amounts due the Company from FCIC. FCIC will remit amounts due the Company by electronic funds transfer (EFT) on or before the FCIC payment date. Any amounts due FCIC or the Company that are not timely remitted are subject to the interest rate provisions contained in section IV.C., with such interest accruing from the date such payment was due to the date of payment.
- 5. In the event that FCIC erroneously rejects data that was correctly submitted by the Company and a payment would be due to the Company if the data had not been rejected, the Company shall be entitled to interest accrued on this amount for the period of such delay, at the rate provided in section IV.C.1.
- 6. Any funds paid by the Company to FCIC in the compromise and settlement of any dispute between FCIC and the Company in an amount less than FCIC claimed was due will be included on the monthly settlement report without regard to the provisions of sections II.B.

7. Notwithstanding any other provision of this Agreement, if a review or examination reveals that the Company or its affiliates have committed an error or omission or failed to comply with a term of the Act, this Agreement, regulations, or procedures, FCIC must provide written notice to the Company within 3 years of the end of the insurance period when the error, omission or failure occurred, if the Company may owe a debt to FCIC, unless the error, omission or failure was willful or intentional. The failure to provide timely notice required herein shall only relieve the Company from liability for the alleged debt owed and not for other consequences of the error, omission or failure that address other obligations of the Company, including maintaining a satisfactory performance record. Written notice to the Company under this paragraph must:
 - a. Describe the failure regarding compliance with a specified term of the Act, this Agreement, the regulations, or procedures;
 - b. State that such failure may result in an amount being owed to FCIC;
 - c. Include the reinsurance year and eligible livestock price insurance contract number(s) for which such failure occurred; and
 - d. Provide sufficient detail to put the Company on general notice of the type of error, omission or failure alleged (such as misquoting the premium or the price)
8. The Company must provide written notice, in a form similar to the notice in paragraph 4., to FCIC of any claim that funds may be owed from FCIC to the Company within 3 years after the end of the reinsurance year in which such funds are claimed to be owed. Failure to provide such notice shall relieve FCIC of the obligation to repay any amount that would be owed to the Company. If an investigation by FCIC determines that funds may be owed by FCIC to the Company, written notice does not need to be provided.

SECTION IV. GENERAL PROVISIONS

A. Collection of Information and Data

1. The Company is required to collect and provide to FCIC all SSNs or EINs that are required to be submitted by the policyholder under the eligible livestock price insurance contract.
2. Neither the Company, nor its personnel, or contractors, or affiliates may disclose to the public any information provided by the policyholder unless such disclosure is authorized by Federal law.

B. Reports

1. The Company is required to collect, maintain and submit to FCIC data that FCIC reasonably determines is necessary to the operation of the Federal crop insurance program. Data the Company is required to submit to FCIC must be accurate, detailed and submitted to FCIC in accordance with procedures.

2. The Company is limited to submitting data through automated systems for 3 years following the end of the reinsurance year. Any other data must be submitted in accordance with Appendix III. Settlement of claims still in litigation, arbitration, or any administrative proceeding more than 3 years after the end of such reinsurance year must be reported to FCIC and will be processed manually following the resolution of such action.
3. All reports submitted for reimbursement of any funds payable by FCIC under this Agreement must be certified by an authorized officer or authorized employee of the Company that the information in the report is correct and accurate.
4. Producer premiums collected by the Company must be reported to FCIC in accordance with Appendix III.
5. The Company will report to FCIC information relating to an eligible livestock price insurance contract of the Company reinsured under this Agreement that may be requested by FCIC.
6. The Summary of Coverage and billing statement provided to the policyholder shall prominently display each of the following:
 - a. The total premium calculated by adding subparagraphs b. and c. below;
 - b. The risk subsidy and A&O subsidy paid by FCIC to the Company on behalf of the policyholder; and
 - c. The amount of premium due the Company from the policyholder.
7. The Company must immediately report to FCIC any material change in its, or its service providers', financial or operational condition that may affect the Company's ability to perform its obligations under this Agreement.
8. If the Company purchases private market instruments, it must submit a copy of its brokerage statements detailing the purchase, sale, and holdings of private market instruments as required by Appendix III, and certify to the completeness and accuracy of the information provided.

C. Interest

1. Any interest that FCIC is required to pay the Company under the terms of this Agreement will be paid in accordance with the interest provisions of the Contract Disputes Act (41 U.S.C. 601 *et seq.*).
2. Any interest that the Company is required to pay FCIC under the terms of this Agreement will be paid at the simple interest rate of 15 percent per annum.

3. The Company will repay with interest any amount paid to the Company by FCIC that FCIC or the Company subsequently determines was not due.
4. FCIC will repay with interest any amount paid by the Company to FCIC, which FCIC subsequently determines was not due.
5. Interest on amounts determined not to be due will begin to accrue on the 31st day after the date that:
 - a. In the case of amounts owed to the Company, a written notification stating the amount claimed to be owed is provided to FCIC by the Company, as applicable, and end on the date the amount is paid in full; or
 - b. In the case of amounts owed to FCIC, the Company receives a final determination from FCIC or other written statement from FCIC that a specific amount is owed, as applicable, and end on the date the overpaid amount is paid in full. Appeal by the Company under this Agreement or 7 C.F.R. 400.169 does not delay the date by which interest starts to accrue.

D. Supplemental Insurance

1. The Company shall not sell a contract of insurance or similar instrument, which is written in conjunction with an eligible livestock price insurance contract and not reinsured by FCIC, unless it has complied with the requirements of 7 C.F.R. 400.713.
2. FCIC will not provide reinsurance for an eligible livestock price insurance contract if the Company sold a contract or instrument described in paragraph 1, that FCIC determines to have shifted risk to, or increases the risk of, such eligible livestock price insurance contract reinsured under this Agreement, or if the Company administers such insurance or instrument in a manner inconsistent with its submission and FCIC's approval.
3. The Company must maintain, and make available at the request of FCIC, the underwriting information pertaining to a contract or instrument described in paragraph 1., including the policy number and all SSNs and EINs related to the eligible livestock price insurance contract.
4. If the terms of a contract or instrument described in paragraph 1. become inconsistent with the terms of the eligible livestock price insurance contract causing payments to be made under the eligible livestock price insurance contract that would not otherwise be payable, reinsurance will be denied.

E. Insurance Operations

1. General

- a. The Company must verify livestock production and other information used to establish insurance guarantees and indemnity payments in accordance with the regulations and procedures.
- b. The Company must use contracts, standards, procedures, methods, and instructions as authorized by FCIC in the sale and service of eligible livestock price insurance contracts.
- c. The Company must comply with standards and procedures to create forms used in the sales and service of any eligible livestock price insurance contract.

2. Plan of Operations

- a. The Company's complete Plan of Operations must be submitted to FCIC by April 1 preceding the reinsurance year, unless otherwise authorized by FCIC. The Plan of Operations must meet the requirements of this Agreement, including the format and all requirements specified in Appendix II, to be considered a complete Plan of Operations.
- b. Once approved by FCIC, the Company's Plan of Operations becomes an Appendix to the Agreement.
- c. If the Plan of Operations is not approved by FCIC by the July 1 start of the reinsurance year:
 - i. FCIC may, at its sole discretion, agree to continue to reinsure and pay A&O and risk subsidies for eligible livestock price insurance contracts that are sold by or on behalf of the Company while FCIC continues its evaluation of the Plan of Operations.
 - ii. FCIC will provide the Company with written notice of its decision to continue to reinsure eligible livestock price insurance contracts that are sold by or on behalf of the Company while FCIC continues its evaluation of the Plan of Operations or its decision that the Company and any of its service providers and agents must cease the sale of eligible livestock price insurance contracts until FCIC determines whether to approve or disapprove the Plan of Operations. If FCIC require sales be closed, the UCM will no longer accept eligible livestock price insurance contracts.
 - iii. If FCIC authorizes the continued sale of eligible livestock price insurance contracts by or on behalf of the Company while FCIC completes its evaluation

of the Plan of Operations and approves the Plan of Operations, sold eligible livestock price insurance contracts will be reinsured under the newly approved Plan of Operations.

- iv. If FCIC authorizes the continued sale of eligible livestock price insurance contracts by or on behalf of the Company while FCIC completes its evaluation of the Plan of Operations and disapproves the Plan of Operations, the eligible livestock price insurance contracts sold during the evaluation period will be transferred to FCIC and may be processed in accordance with subsection M.1.e. and f.
- d. The Company must provide immediate written notice to FCIC if a change in business organization, operations, finances or the sales expectations of the Company, or its service providers, would have a material impact on the Company's ability to perform under the Agreement is likely to occur.
- e. If a change in business organization, operations, finances or the sales expectations of the Company or its service providers occurs that would have a material impact on the Company's performance under the Agreement, whether FCIC learns of the change by notice from the Company or otherwise:
 - i. FCIC may require the Company to amend its Plan of Operations; or
 - ii. The Company may submit to FCIC in writing a request to amend the Plan of Operations.
 - I. The request must be approved by FCIC in writing before the amended Plan of Operations can become a part of this Agreement.
 - II. The request will be evaluated in accordance with the review procedures applicable to the original Plan of Operations, except that FCIC will also consider whether FCIC's risk is materially increased.
 - III. FCIC will not approve a request to amend the Plan of Operations if such amendment would materially increase the risk of loss to FCIC unless FCIC, at its sole discretion, determines that the amendment arises from an action of FCIC or USDA that substantially increases the risk of underwriting loss on eligible livestock price insurance contracts written by the Company.
 - IV. Changes to eligible livestock price insurance contracts made in accordance with the terms of such contract are not a basis for an amendment to the Plan of Operations.
- f. The Company shall be in compliance with the Freedom to E-File Act and section 508 of the Rehabilitation Act. The Company must file its plan for meeting the

requirement of these statutory provisions, in accordance with procedures, with the Plan of Operations.

- g. The Company shall disclose in the Plan of Operations all of its commercial reinsurance related to this Agreement and provide documentation regarding such reinsurance as required by FCIC. If during the reinsurance year the Company adds or modifies its commercial reinsurance, it shall immediately notify FCIC in accordance with procedures.
- h. The Company shall list in the Plan of Operations all PIC's.

3. Compliance with State Insurance Laws

- a. Unless preempted in accordance with the Act or subsection N., the Company and its affiliates shall comply with applicable State law.
- b. If a State Insurance Department determines that the Company or any of its affiliates are in non-compliance with an applicable State law and FCIC determines that the non-compliance materially affects the Company's ability to meet its obligations under this Agreement, such non-compliance shall be considered a breach of this Agreement, unless remedial action by the Company or affiliate to correct the non-compliance is approved by FCIC.
- c. Upon the request of FCIC, the Company shall submit to FCIC information or documentation the Company is required to submit to the State Insurance Department under an applicable State law related to the business conducted under this Agreement.
- d. If a State Insurance Department notifies the Company or its affiliates that it is taking, or proposes to take, an action against the Company or its affiliates or directs the Company to take an action, the Company must immediately notify FCIC of such action and any remedial action proposed to be taken by the Company or directed by the State Insurance Department that directly or indirectly affects the Company's ability to perform its obligations under this Agreement

4. Conflict of Interest

- a. The Company and its service providers shall not permit their sales agents, agency employees, sales supervisors, or any relative of its sales agent, agency employee or sales supervisor, to be involved in loss adjustment activities in a county or adjoining county where the sales agent, agency employee or sales supervisor performs sales functions (except receipt and transfer to the Company of a notice of loss), including the following:
 - i. The supervision, control, or adjustment of a claim;

- ii. Obtaining sales or production records for the purposes of loss adjustment on behalf of the policyholder (other than simply collecting information directly from the policyholder and providing it to the Company);
 - iii. A loss adjustment determination or verification required to complete a claim or the determination or verification of a cause of loss;
 - iv. Verification of livestock production for the purpose of validating insurance coverage or the guarantee;
 - v. After a notice of loss is filed by the policyholder, advising or assisting the policyholder in any manner regarding the preparation of the claim and the determination of the indemnity, including, but not limited to, whether the loss adjuster correctly applied loss adjustment procedures; or
 - vi. Any other function reserved for loss adjusters in the procedures.
- b. The Company and its service providers shall not permit any person or any relative of such person involved in the loss adjustment determination or verification required to complete a claim or the determination or verification of a cause of loss, to be involved with the sales, solicitation or brokering of an eligible livestock price insurance contract or with any other function reserved for the agent in the procedures approved by FCIC in a county or adjoining county where the claims supervisor, employee or contractor performs claims functions.
- c. If the Company elects to allow the same loss adjuster to work claims on which an indemnity was paid for more than two consecutive years for the same policyholder, the Company shall be required to review claims identified by FCIC as required in Appendix IV.
- d. The Company and its service providers shall not permit any person involved in the loss adjustment determination or verification required to complete a claim or the determination or verification of a cause of loss to adjust a loss for:
- i. A policyholder person with whom they have a business, financial or legal relationship (Business, financial and legal interests include but are not limited to lending money, custom farming, leasing land or other property, selling other goods or services besides insurance, or activities of a similar nature. The sale and purchase of livestock price insurance does not constitute a business, financial or legal relationship with the policyholder that must be reported);
 - ii. A policyholder, or a person with a substantial beneficial interest in the policyholder, whose eligible livestock price insurance contract was sold by a relative of the; or
 - iii. A relative of the person.

- e. The Company and its service providers shall not permit their sales agents, the owners or employees of their sales agencies, their sales supervisors, or any relative to be involved in the acceptance and verification of underwriting data relating to eligibility and coverage for an eligible livestock price insurance contract written by such person.
- f. A person employed by the Company or its service provider for the general supervision of the sales and service of eligible livestock price insurance contracts may supervise those activities associated with the general administration of such contracts, which may include the management of training, servicing, underwriting, and loss adjusting.
- g. Consistent with subparagraphs a. through f., all quality control reviews must be conducted by objective and unbiased persons who were not involved in establishing the guarantee, sales, adjusting the loss, or the direct supervision of sales or loss adjustment activities for the eligible livestock price insurance contracts reviewed.
- h. The Company must notify all of its employees and affiliates, including agents, agencies, and loss adjusters, in writing of the duty to disclose to the Company and in turn FCIC any business, financial, legal or familial relationship with a policyholder, or a person with a substantial interest in the policyholder, in accordance with Appendix IV. In addition to any other sanctions in this Agreement, if the Company fails to follow the provisions of this subparagraph and Appendix IV, eligible livestock price insurance contracts sold or serviced by the person who failed to disclose business, financial, legal or familial relationship with a policyholder may not, at FCIC's discretion, be reinsured or receive A&O or risk subsidies for the reinsurance year for which such disclosure was not provided.
- i. The Company shall notify FCIC within 3 business days when it discovers that a Company employee or affiliate of the Company have violated the requirements of this paragraph.

F. Access to Records and Operations

1. Upon written request, unless otherwise authorized by the FCIC Manager, the Company must provide FCIC reasonable access to its offices, personnel, and all records that pertain to the business conducted under, or the requirements contained in, this Agreement at any time during normal business hours for the purpose of investigation, audit or examination, including access to records on the operation of the Company.
2. The Company shall enter into, and enforce agreements to ensure that its affiliates provide FCIC and the Company with access to its affiliates' offices, personnel, and all records that pertain to the business conducted under, or the requirements contained in, this Agreement at any time during normal business hours for the purpose of investigation, audit or examination, including access to records on the operation of such affiliate.

3. The Company must designate in its Plan of Operations where the records pertaining to the business conducted under this Agreement are located.
4. Records described in this subsection must be retained until 3 years after the end of the reinsurance year or until 3 years after the end of the insurance period of the specific eligible livestock price insurance contract, whichever is later.
5. FCIC may require the Company and its affiliates to retain certain specified records for a longer period than in paragraph 4. if it so notifies the Company in writing at any time before the expiration of the applicable 3-year period. If the applicable 3-year period has expired and the Company or its affiliate still has the records in their possession, FCIC can require that such records be retained for a longer period by providing written notice.
6. Notwithstanding paragraph 4., records regarding an unsatisfied debt of a policyholder must be retained for 7 years after establishment of the debt unless the debt is satisfied or is discharged through bankruptcy proceedings.
7. For the purpose of this subsection the term "FCIC" includes all U.S. Government agencies including but not limited to USDA Office of Inspector General, the General Accounting Office, and the Department of Labor.

G. Compliance and Corrective Action

1. The Company and its affiliates must comply with the provisions of this Agreement, as applicable. The Company is solely responsible for the conduct and performance of its personnel and affiliates with respect to the obligations imposed by this Agreement and the procedures. Liability for damages incurred, to the extent it is caused by an error or omission or failure to comply with this Agreement, or the procedures, is the sole responsibility of the Company. The assumption of liability under this section is only for the purpose of this Agreement and may not be relied upon by any person or entity not a part to this Agreement for any purpose.
2. In addition to paragraph 1., the Company and its affiliates must comply with the procedures, and the applicable laws of the States in which the Company is conducting business under this Agreement, unless preempted in accordance with section IV.N.
3. The Company must fully cooperate with FCIC in the review or examination of the Company or its affiliates regarding compliance with the requirements of the Agreement and procedures. The Company will include in its agreements with its affiliates provisions that ensure that such affiliates agree to cooperate and assist FCIC in the reviews and examinations conducted in accordance with this Agreement.
4. In addition to any other remedies available under this Agreement, if FCIC finds that the Company has not complied with a provision of this Agreement, and the Company has not taken appropriate steps to correct the reported act of non-compliance, FCIC may, at its sole discretion, require that the Company take corrective action within 45 days of the date of

such written demand. The Company must provide FCIC with satisfactory documentary evidence of the corrective action taken to address the reported act of non-compliance.

5. If a State makes a determination that the Company or its affiliates are not in compliance with state law and FCIC determines such non-compliance is material to Company's obligations under this Agreement, and all appeals have been exhausted, FCIC may take remedial actions, which may include suspension or termination of this Agreement in accordance with subsections H. and I., denial of reinsurance, in whole or in part, depending on the materiality or severity of the non-compliance.
6. In addition to any other remedies in this Agreement, FCIC determines that the Company or its affiliate willfully violated the Agreement or the procedures, FCIC reserves the right to deny reinsurance for any insurance contract that is sold or serviced in violation of the terms of this Agreement or procedures.
7. Whenever a failure to substantially comply with a provision of this Agreement or procedures by the Company or its service providers, agents, and loss adjusters materially affects the existence or amount of the indemnity or premium for an eligible livestock price insurance contract (improper adjustment of losses; sales agents or sales supervisors involved in the adjustment of losses; failure to verify eligibility for insurance, livestock production insurable shares, insurable causes of loss) and FCIC is:
 - a. Able to determine the correct amount of indemnity, or premium, FCIC, except as provided in paragraph 8.d, may deny A&O subsidy and risk subsidy or reduce the A&O subsidy for the eligible livestock price insurance contract based on the severity of the failure, and require the Company:
 - i. To report to FCIC through e-DAS the correct amount of indemnity and premium; and
 - ii. To pay to the policyholder any amount of underpaid indemnity, or overpaid premium; or
 - iii. To pay to FCIC any overpaid indemnity, or underpaid premium and any subsidy that exceeds the amount the Company or policyholder was entitled to receive.
 - b. Unable to determine the correct amount of indemnity, or premium that should have been paid, FCIC will deny reinsurance, in whole or in part, or reduce the A&O subsidy based on the severity of the failure, unless the Company can provide documentary evidence satisfactory to FCIC that shows the correct amount of the indemnity, or premium.
8. The Company provides valuable program delivery services for which payment is made in the form of A&O subsidy. FCIC and the Company agree that FCIC is damaged by a failure of the Company or its service providers, agents, and loss adjusters to provide services or to comply with a provision of this Agreement or procedures, and that the value

of such service or failure to comply is difficult to determine because the damages are uncertain and the amount of service or failure to comply is difficult to quantify. FCIC and the Company agree that in view of the difficulty of determining the value of such service, the amounts stated below are reasonable estimates of the value. In the event there is a pattern or practice of failing to comply with the Agreement or procedures and FCIC has determined the Company or its service providers, agents, and loss adjusters has failed to provide services or to comply with a provision of this Agreement or procedures and such failure has occurred:

- a. During the claims process (such as loss adjustment, quality control reviews, verification of applicable information, etc.), the Company agrees to pay FCIC an amount up to 5 percent of the net book premium on all livestock price insurance contracts affected by the failure based on the materiality or severity of the failure;
 - b. During the sales and service of the livestock price insurance contract, excluding the claims process contained in subparagraph a., the Company agrees to pay FCIC an amount up to 15 percent of the net book premium on all livestock price insurance contracts affected by the failure based on the materiality or severity of the failure; and
 - c. FCIC may impose the remedies in both subparagraphs a. and b., if applicable (However, both remedies may not be imposed for the same conduct by the same person).
 - d. If a pattern or practice under this paragraph also involves overpaid indemnities that may be collected under paragraph 7.a., any reduction in A&O subsidies will be imposed under this paragraph, not paragraph 7.a.
9. Failure of the Company or its affiliates to cease or desist any activity or to take a specific action, as required by FCIC in writing, will subject the Company or its affiliates to the sanctions in section 515(h) of the Act (7 U.S.C. 1515(h)).
 10. Any payment due from, or paid by, the Company under this subsection shall be in addition, and without prejudice, to any other rights of FCIC, or the United States. FCIC may, at its sole discretion, waive, reduce or delay repayment.
 11. Failure of the Company to make payment in accordance with the provisions of this Agreement, or with provisions of any separate written agreement to make such payment between the Company and FCIC, may subject the Company to the remedies available under this Agreement.
 12. Nothing in this subsection prevents FCIC from suspending or terminating this Agreement in accordance with subsections H. or I.
 13. Any A&O subsidies collected under this subsection will be placed in the Contingency Fund.

H. Suspension

In addition to the other remedies available in this Agreement, FCIC may suspend this Agreement for cause due to a material breach or failure to perform or comply with obligations under this Agreement. If the Agreement is suspended, the UCM will no longer accept eligible livestock price reinsurance contracts. If this Agreement is suspended for cause:

1. Except as provided in paragraph 3., the suspension will remain in effect until FCIC determines that the error or omission has been corrected and that steps have been taken to prevent its occurrence.
2. While suspended, the Company shall not sell or authorize to be sold any new livestock price insurance contracts as determined by FCIC, under this Agreement. However, if required by FCIC, the servicing of all eligible livestock price insurance contracts in effect at the time of the suspension is to continue. A&O subsidy will continue to be paid for those eligible livestock price insurance contracts that FCIC requires to be serviced.
3. If the eligible livestock price insurance contracts are not serviced as required by paragraph 2., or errors or omissions are not corrected within the timeframe specified by FCIC, the suspension will remain in effect until the end of the reinsurance year, or an earlier date if notice of termination is provided by FCIC.

I. Termination

1. Notwithstanding any other provision of this Agreement, FCIC may terminate this Agreement for cause due to a material failure to perform or comply with this Agreement or the procedures, or for the convenience of the government.
2. Termination will be effective on the date specified by FCIC but under no circumstances will it be after the last day of the reinsurance year.
3. If this Agreement is terminated, the UCM will no longer accept eligible livestock price insurance contracts issued after the date of the termination. Except as otherwise provided in this Agreement, FCIC will provide reinsurance in accordance with the terms of the Agreement, for eligible livestock price insurance contracts in effect as of the date of the termination until expiration.
4. In addition to any other reductions provided in the Agreement, if this Agreement is terminated by FCIC for cause, the Company shall pay FCIC an amount not greater than 10 percent of the net book premium for all eligible livestock price insurance contracts in its book of business based on the materiality or severity of the cause. Any amount collected under this paragraph will be placed in the Contingency Fund.

J. Disputes and Appeals

1. If the Company disputes an action, finding, or decision of FCIC under this Agreement, the Company must seek a final administrative decision regarding such action, finding, or decision in accordance with the provisions of 7 C.F.R. 400.169 before seeking judicial review.
2. If the Company seeks a final administrative decision or reconsideration in accordance with 7 C.F.R. 400.169, FCIC shall generally issue a fully documented decision within 90 days of the receipt of a notice of dispute accompanied by all information necessary to render a decision. If a decision cannot be issued within 90 days, FCIC will notify the Company within the 90-day period of the reasons why such a decision cannot be issued and when it will be issued.

K. Mandatory Amendments.

Except as provided in subsection L., if changes in Federal law are enacted that affect the rights and obligations of the parties to this Agreement which require revisions to the Agreement, Agreement must be revised on or before June 30th to incorporate the statutory changes and these revisions will be effective beginning with the next reinsurance year.

L. Appropriation Contingency

The payment of obligations of FCIC under this Agreement is contingent upon the availability of appropriations. Notwithstanding any other provision of this Agreement, FCIC's ability to sustain the Agreement depends upon the FCIC's appropriation. If FCIC's appropriation is insufficient to pay the obligations under this Agreement, and FCIC has no other source of funds for such payments, FCIC will reduce its payments to the Company on a *pro rata* basis or on such other method as determined by FCIC to be fair and equitable.

M. Oversight and Cut-Through

1. Whenever FCIC determines that the Company is unable to substantially fulfill obligation that materially affects its performance under this Agreement with respect to some or all of the eligible livestock price insurance contracts it has in its book of business, FCIC may impose one or more of the following on the Company:
 - a. Require additional reporting to FCIC of financial or operational information related to business conducted under the Agreement.
 - b. Allow the placement of representatives of FCIC at any location of the Company and its service providers to monitor activities that directly or indirectly affect the performance of the Company's obligations under this Agreement.
 - c. Obtain approval of FCIC of some or all decisions or actions (including but not limited to any transaction, payment, agreement, and servicing of eligible livestock price

insurance contracts) taken or contemplated by the Company or its service providers that could directly or indirectly affect the performance of the Company's obligations under this Agreement.

- d. Take all reasonable steps to preserve the assets and financial and operating capabilities of the Company to perform its obligations under this Agreement.
 - e. Transfer to FCIC, or its designee, without further action of the Company any or all eligible livestock price insurance contracts. With respect to any eligible livestock price insurance contract transferred to FCIC:
 - i. FCIC will assume all obligations for unpaid losses whether occurring before or after the date of transfer regarding such eligible livestock price insurance contracts, and the Company must pay FCIC all funds in possession of the Company and its affiliates with respect to all such eligible livestock price insurance contracts transferred including, but not limited to, premiums collected or any payments from commercial reinsurers related to the book of business.
 - ii. FCIC, or its designee, will have the right to conduct all activities related to the sale and service of eligible livestock price insurance contracts.
 - iii. FCIC has the right to all uncollected premiums on all eligible livestock price insurance contracts.
 - iv. Any uncollected debts owed to the Company under an eligible livestock price insurance contract will become a debt owed to FCIC.
 - v. To the extent that FCIC contracts for an AIP or other entity to service the transferred eligible livestock price insurance contracts, the AIP or other entity will receive A&O subsidy for service the AIP or other entity must perform for such eligible livestock price insurance contracts in proportion to the amount of service required for the remainder of the reinsurance year.
 - f. With respect to eligible livestock price insurance contracts that are transferred to FCIC and when another AIP agrees to assume the eligible livestock price insurance contracts, unless otherwise determined by FCIC;
 - i. The AIP will assume the obligations for unpaid losses whether occurring before or after the date of transfer regarding such eligible livestock price insurance contracts;
 - ii. FCIC will remit to the AIP any premium or any applicable payments from commercial reinsurers collected from the Company; and
2. The AIP will receive A&O subsidy for services the AIP must perform for such eligible livestock price insurance contracts in proportion to the amount of service required for the

remainder of the reinsurance year.

3. A Company in supervision, rehabilitation, liquidation, or any equivalent action by a State, is presumed to be unable to substantially fulfill obligations that materially affect its performance under this Agreement with respect to some or all of the eligible livestock price insurance contracts it has in its book of business for the purposes of paragraph 1.
4. If either paragraph 1.e. or 1.f. is implemented with respect to another AIP, the Company, within the limits of its financial and operational resources, agrees to cooperate with FCIC in the transferring and servicing of such eligible livestock price insurance contracts.

N. Preemption of State Law

1. In accordance with section 506(l) of the Act (7 U.S.C. 1506(l)), the provisions of this Agreement that are inconsistent with provisions of State or local law will supersede such law to the extent of the inconsistency.
2. The provisions of 7 C.F.R. part 400, subpart P pertaining to preemption of State or local laws or regulations are specifically incorporated herein and made a part hereof.
3. No assessment for any guarantee funds or similar programs may be computed or levied on the Company by any State for or on account of any premiums payable on eligible livestock price insurance contracts reinsured under this Agreement.
4. No State or local regulatory authority, including without limitation a State's insurance commissioner, department, or comparable public authority, may enforce or seek to enforce any provision of the Act, the regulations, this Agreement, or any procedures, without the prior written consent of FCIC.

O. Supervision, Rehabilitation, and Liquidation

If the Company is placed in supervision, rehabilitation, liquidation, or any equivalent action by the State Insurance Department:

1. The Company shall take all reasonable steps to facilitate a working relationship between FCIC and the State Insurance Department during the period the Company is in supervision, rehabilitation, liquidation, or any equivalent action.
2. The Company shall take all reasonable steps to ensure that FCIC has access to information and use of the operating systems, records, equipment, or other property used in the administration of the Company's book of business for as long as necessary to service the book of business.
3. In liquidation:

- a. If FCIC has expended funds to keep the Company operational, including the payment of expenses already included in the A&O subsidy, or to pay other expenses not included in the A&O subsidy, when the Company was in supervision, rehabilitation, liquidation, or any equivalent situation, with respect to the repayment of such funds, FCIC shall have priority over all other creditors except for expenses of the state supervisor, rehabilitator, liquidator or equivalent person; and
 - b. If the Company owes any other funds to FCIC not included in subparagraph a., with respect to the repayment of such funds, FCIC shall have priority over all other non-federal creditors.
4. FCIC will have the right to conduct all activities related to the sale and service of eligible livestock price insurance contracts.
5. The Company and its affiliates must pay to FCIC all funds in their possession with respect to all eligible livestock price insurance contracts including, but not limited to, premiums collected or any applicable payments from commercial reinsurers.
6. Any uncollected debts or premiums owed to the Company under an eligible livestock price insurance contract will become a debt owed to FCIC.
7. The Company and its affiliates shall:
 - a. Properly and fully service all eligible livestock price insurance contracts until transferred or they are expired, whichever is the later;
 - b. Take all reasonable efforts to ensure that the Company's commercial reinsurance applicable to its book of business remains in effect; and
 - c. Not delay any payment to FCIC or the policyholder related to an eligible livestock price insurance contract.
8. Those persons found not in compliance with paragraph 7.c. shall be subject to debarment from participating in the programs of FCIC and USDA.

P. Mediation, Arbitration, Litigation and Assistance

1. The Company's expenses incurred as a result of litigation are covered by the A&O subsidy. FCIC has no obligation to provide other funds to reimburse the Company for litigation costs.
2. In accordance with procedures, the Company may request FCIC to provide non-monetary assistance, including witnesses, documents, and direction or such other assistance for mediation, arbitration or litigation. FCIC will only consider the Company's request for assistance if the Company:

- a. Reports the matter in accordance with paragraph 3;
 - b. Immediately notifies FCIC in writing of the requested action setting forth the reasons such action would be in the best interests of FCIC;
 - c. Presents all legal arguments favorable to its defense including those suggested by FCIC; and
 - d. Does not join FCIC as a party to the action unless FCIC agrees in writing to be joined as a party.
3. The Company shall report to FCIC in accordance with established procedures, disputes with policyholders in mediation, arbitration, litigation or legal action, within 30 days after the Company has been notified of such dispute.
4. FCIC will, at its sole discretion, determine if the requested action under this section will be granted. The criteria to determine such action will be whether such action is in the best interest of FCIC and the Federal crop insurance program.
5. Unless otherwise provided in this Agreement, FCIC will pay ultimate net losses for eligible crop insurance contracts of the Company in accordance with the provisions of section II.B.
- a. In addition to the amount of the claim, ultimate net loss may include interest owed to policyholders related to the eligible livestock price insurance contract that is included:
 - i. In a final judgment against the Company by an arbitrator or a court of competent jurisdiction if FCIC determines that:
 - ii. Such interest resulted from the Company's substantial compliance with all applicable procedures in the selling and servicing of the eligible livestock price insurance contract; and
 - iii. The award of such interest did not involve negligence or culpability on the part of the Company or its affiliates; and
 - iv. In the settlement of any claim if FCIC, in addition to the determinations included above, determines that the settlement should be approved.
 - b. In all arbitration and mediation cases or any other case that has been settled by the Company and policyholder:
 - i. The Company must provide to FCIC all written statements from the arbitrator describing the issues in dispute, the factual findings, the determinations and the amount and basis for any award;

- ii. The Company must provide to FCIC all settlement agreements that contain at a minimum, a statement of the issues in dispute and the amount of the settlement;
 - iii. The Company must provide to FCIC all written opinions of the court, all pleadings filed in the case, and other documentation requested by FCIC; and
 - iv. Failure of the Company to provide the required information in this subparagraph for an eligible livestock price insurance contract will result in denial of reinsurance for such contract.
6. Under no circumstance are any punitive or consequential damages, attorney fees or any other costs, including court costs, included in the calculation of ultimate net loss.
 7. Under the purpose of this subsection only, the term “settlement” means the compromise or resolution of a dispute under an eligible livestock price insurance contract between the Company and a policyholder.

Q. Sanctioned persons

The Company and its affiliates shall not use any person who has been debarred or suspended, or voluntarily excluded under 7 C.F.R. part 3017 by FCIC or any other U.S. Government Agency or disqualified by FCIC under 7 U.S.C. 1506(n) or 1515(h), as applicable, in any manner which involves performance under this Agreement. Use of a disqualified, debarred, suspended or voluntarily excluded person or entity may subject the Company and affiliate to suspension and debarment in accordance with 7 C.F.R. part 3017.

R. Member - Delegate

No member of or delegate to Congress nor any resident commissioner will be permitted to have any share or part of this Agreement or receive any benefit that may arise therefrom, except that this provision will not be construed to apply to a benefit from this Agreement that accrues to a member of or delegate to Congress nor any resident commissioner as a result of an interest in a corporation and the benefit is for the corporation’s general benefit. Members of or delegates to Congress or any resident commissioner are eligible to purchase a livestock price insurance contract for any livestock in which they have an insurable interest.

S. Discrimination

The Company must not discriminate against any employee, applicant for employment, insured, or applicant for insurance because of race, color, religion, sex, age, physical handicap, marital status, or national origin. The Company shall be in substantial compliance with all applicable Federal laws prohibiting discrimination.

T. Set Off

1. Funds due from the Company may be set off under the provisions of this Agreement or under the provisions of 31 U.S.C. Chapter 37.

2. Any amount due the Company under this Agreement is not subject to any lien, attachment, garnishment, or any other similar process prior to that amount being paid under this Agreement, unless such lien, attachment, or garnishment arises under title 26 of the United States Code.
3. Set off as provided in this section will not deprive the Company of any right it might otherwise have to contest the indebtedness involved in the set off action by administrative appeal.
4. In the event a Company fails to pay any amount when due under this Agreement, any further payments to the Company from FCIC will be set off against any amounts due FCIC regardless of the reinsurance year until such amounts are paid with appropriate interest.
5. Notwithstanding an assignment made in accordance with section IV.U., FCIC may set off:
 - a. Any amount due FCIC under this Agreement;
 - b. Any amounts for which the Company is indebted to the United States for taxes for which a notice of lien was filed or a notice of levy was served in accordance with the provisions of the Internal Revenue Code of 1986 (26 U.S.C. 6323), or any amendments thereto or modifications thereof, before acknowledgment by FCIC of receipt of the notice of assignment; and
 - c. Any amounts, other than amounts specified in subparagraphs a. and b. due to FCIC or any other agency of the United States, if FCIC notified the assignee of such amounts to be set off at or before the time acknowledgment was made of receipt of the notice of assignment.

U. Assignment

1. No assignment by the Company shall be made of the Agreement, or the rights thereunder, unless:
 - a. The Company assigns the proceeds of the Agreement to a bank, trust company, or other financing institution, including any federal lending agency, or to a person or firm that holds a lien or encumbrance at the time of assignment; and
 - b. The Company receives the prior approval of FCIC to assign the proceeds of this Agreement to any other person or firm.
2. Any assignment made under paragraph 1.:
 - a. Will be recognized only if and when the assignee thereof files with FCIC a written notice of the assignment together with a signed copy of the instrument of assignment;

- b. Must cover all amounts payable and not already paid under the Agreement;
- c. Shall not be made to more than one party; and
- d. Shall not be subject to further assignment, except that any such assignment may be made to one party as agency or trustee for two or more parties.

V. Resolution of Disagreements

If the Company disagrees with an act or omission of FCIC, except those acts implemented through the rulemaking process, the Company shall provide written notice of such disagreement to the Manager of FCIC. Within 10 business days of receipt of notice, the Manager or a designee will schedule a meeting with the company in an attempt to resolve the disagreement. Notwithstanding any other provision in this section, any subsequent decision by FCIC on the act or omission will be considered a final administrative determination of FCIC and, therefore, subject only to review by the Board of Contract Appeals, with respect to a matter relating to this Agreement, or to judicial review. Nothing herein excuses the Company's performance under this Agreement during the attempted resolution of the dispute or constitutes a waiver of the Company's right to any remedy authorized by law.

Certification

The undersigned acknowledges that the Company and its Board of Directors, if applicable, has authorized the Company to enter into this Agreement and the Plan of Operations. The undersigned acknowledges any misrepresentation in the submission of this Agreement and information contained in the Plan of Operations may result in civil or criminal liability against the undersigned or their representatives.

APPROVED AND ACCEPTED FOR

**THE FEDERAL CROP
INSURANCE CORPORATION**

THE COMPANY

Signature

Name

Title

Date

Signature

Name

Title

Date