



**United States
Department of
Agriculture**

Risk
Management
Agency

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Independence
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Washington, DC
20250-0801

December 14, 2007

TO: All Approved Insurance Providers:

SUBJECT: State and Federal Rebating Enforcement Initiative

This is to notify you that the Risk Management Agency (RMA) is launching an initiative to increase the level of shared information with State insurance commissioners regarding the enforcement of State law and the Standard Reinsurance Agreement concerning illegal rebating.

RMA has determined that incidents of illegal rebating of Federal crop insurance premiums have increased in recent years. Attempts to circumvent rebating prohibitions have become prevalent and more complex. Examples of schemes with the hidden purpose of illegal rebating include the creation of special investment entities and the recruiting of producers as licensed sub-agents to write their own policies. Some of these schemes violate not only the Federal prohibition against rebating, but also certain State statutes regarding, for instance, the types of entities allowed to sell insurance. Consequently, RMA will cooperate with the State insurance commissioners and share information relating to potential rebating violations. Specifically, RMA will do the following:

- Notify the affected State when a Federal crop insurance rebating complaint or allegation is received;
- Provide background information on relevant past rebating investigations and findings;
- Share specialized tools that assist in the identification of potential rebating (such as those developed from RMA's data mining capability);
- Share information with affected States regarding RMA's understanding of the operation of complex schemes designed to circumvent rebating prohibitions;
- Take appropriate actions when violators of the respective laws are identified; and
- Inform the affected State of the assessment of penalties or sanctions to a rebating violator.

RMA is confident that this effort will produce results targeted at maintaining professional conduct and ethics in the marketplace. In addition to being better able to handle traditional rebating, RMA will be better positioned to target various schemes that have been purposely devised to circumvent rebating prohibitions.

Given this increased sharing of information, RMA expects to uncover illegal rebating where or when it exists, and to be more effective in enforcement of rebating prohibitions. RMA is especially intent on seeing the results of these efforts for the spring 2008 crop



The Risk Management Agency Administers
And Oversees All Programs Authorized Under
The Federal Crop Insurance Corporation

An Equal Opportunity Employer

year selling period for Federal crop insurance.

You can assist by ensuring that all of your employees, loss adjusters, affiliated agents and other interested parties are fully aware of rebating laws, regulations and prohibitions; the serious penalties that result from illegal rebating; and the coordinated efforts of State and Federal insurance regulators to address illegal acts or violators.

Sincerely,

Eldon Gould /s/ *Eldon Gould*
Administrator

12/14/2007