



United States  
Department of  
Agriculture

Risk  
Management  
Agency

1400 Independence  
Avenue, SW  
Stop0801  
Washington, DC  
20250-0801

**BULLETIN NO: MGR-05-009**

**TO:** All Reinsured Companies  
All Risk Management Agency Field Offices  
All Other Interested Parties

**FROM:** Ross J. Davidson, Jr. /s/ June 2, 2005  
Administrator

**SUBJECT:** Risk Management Agency (RMA) Participation in Large Claims

**BACKGROUND:**

The Standard Reinsurance Agreement (SRA) and the Livestock Price Reinsurance Agreement (LPRA) for the 2005 reinsurance year require approved insurance providers (AIPs) to notify RMA upon receiving notice of a potential claim on an eligible crop insurance contract where the production loss or indemnity is likely to exceed \$500,000, or such other amount as determined by the agency. When such notice is received, RMA may elect to participate in the loss determinations, review the actions of the AIP taken in the settlement of the claim before agreement is reached with the producer and before payment, or decline participation or review of the claim.

**ACTION:**

Notices of potential claims for the 2005 and succeeding crop years must be submitted and administered in accordance with this procedure:

1. AIPs will notify the RMA Regional Office (RO) in whose area the insured acreage is located of the potential claim by facsimile or e-mail to the general RO e-mail address, to the attention of the Director, clearly identifying the message as a Potential Large Claim Notice.
  - a. A potential claim is a notice of loss where the production loss or the amount of indemnity is likely to exceed \$500,000, or other amount as determined by RMA.
  - b. The notice to the RO must include, to the extent possible, the policyholder's name, policy number, crop, acreage affected, reported cause of loss, and intended use for the damaged acreage.
2. Based on RMA established criteria, the RO will select what action it will take with respect to the potential claim.
  - a. Within 3 full business days of the RO's receipt of potential claim notice, the RO will notify the AIP of the action it will take and the name of the contact person.



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

An Equal Opportunity Employer

- i. If for any reason the RO is closed when the notice is received or the response is due, notification will be considered as received, or the response will be provided, the next business day.
    - ii. The RO shall consider any notice of potential claim received after 2:00 pm. local time as received on the next business day.
  - b. Potential RO actions include:
    - i. Decline to review or participate in the loss determination process.
    - ii. Participate in the loss determination.
    - iii. Review the actions taken by the AIP in settlement of the claim before agreement is reached with the producer and before payment of any indemnity or prevented planting payment.
  - c. The AIP may respond to the notice of loss and prepare for loss activities but shall not conduct any field loss adjustment activities until the RO responds to its notice of potential claim, or until the 3-day notice period has elapsed.
3. If the RO gives notice that it will not review or participate in the loss determination, the AIP is free to conduct such loss activities as required by FCIC's policy and procedure.
4. If the RO gives notice that it will be conducting a review, before the AIP reaches agreement with the producer and before payment of any indemnity or prevented planting payment, the AIP will provide the RO with all underwriting and claim documents, unless otherwise specified. If the RO discovers problems during the review process, RMA reserves the right to revise its notice to the AIP from a review to participation in the loss determination.
5. If the RO gives notice of its participation in the loss determination process:
  - a. The AIP must contact the RO contact person to coordinate all loss adjustment activities.
    - i. The RO may elect to participate in all or some of such activities, at its discretion.
    - ii. The AIP may not conduct a loss adjustment activity without first coordinating such activity with the RO, unless otherwise authorized by the RO.
    - iii. The RO will review mandatory APH reviews required by the SRA or FCIC-issued procedure conducted by the AIP.

- b. During field inspections, RMA participants will initial, and receive copies of claim and underwriting documents prepared during its participation and will maintain a separate claim file.
  - c. RMA may opt out of such participation in writing at any time it is determined that:
    - i. The potential claim is likely to be less than \$500,000.
    - ii For whatever reason, the policy is not eligible for insurance (for example, the application was not timely filed, a pre-acceptance inspection shows the acreage is not eligible for insurance, the producer is not eligible, etc.).
6. The AIP is responsible for communications with the producer and will inform the producer of RMA's review or participation in the loss determination.
- a. Any written communication with the producer pertaining to review or loss determinations for which RMA is involved, must be approved in writing by the RO or Risk Management Services Division (RMSD).

**Dispute Resolution:**

7. If there are any disputed or unresolved issues regarding a loss determination during RMA's review or participation in such loss determination, such disputes or unresolved issues:
- i. Will be elevated to the AIP's National Claims Manager and RMA's RMSD.
  - ii. Will not, without RMA concurrence, be discussed in the presence of the producer or anyone else outside of RMA or the AIP.
8. If there is a dispute between RMA and the AIP with respect to RMA's determination of a loss, the AIP will pay the claim according to RMA's written approval. The AIP retains the right to dispute RMA's actions in accordance with administrative appeals procedures found in 7 C.F.R. § 400.169.
9. If RMA elects to participate in the loss determination, or modifies, revises or corrects a claim during review prior to the AIP reaching agreement with the producer or prior to the AIP making payment to the producer on the claim, and the producer disputes the claim, the producer's dispute on the RMA modification, revision or correction will be with RMA, and the producer may not bring arbitration, mediation or litigation action against the AIP on the matter subject to the following:
- i. The producer must request administrative review or appeal in accordance with section 20(e) of the Basic Provisions.

- ii. The AIP shall provide RMA with cooperation and assistance as needed in any dispute with the producer.
10. If the RO opts out of participating in the claim before any field loss determination is made in accordance with the above procedures, RMA's obligation to participate with or assist the AIP in defending any subsequent dispute of the claim will be the same as it is for any other claim in which RMA has not intervened.

**DAS or eDAS Reporting:**

11. The AIP must report the action taken by RMA on the applicable loss record, to the RMA Data Acceptance System (DAS) or eDAS according to Appendix III of the SRA/LPRA. If the record is part of a potential claim on the eligible crop insurance contract reported under paragraph 1, the large Claim Flag must be:
- a. N = AIP notified RMA of excessive indemnity and RMA did not participate in the determinations, or
  - b. R = RMA participated in loss determinations or reviewed loss determinations before payment.

**DISPOSAL DATE:**

This bulletin will remain in effect until rescinded.

RMA;RMSD:HBaker/(202) 720-4286;05/23/05

cc: IS Chron Files

---

Heyward Baker

---

Date

---

David C. Hatch

---

Date