

**BULLETIN NO.: MGR-00-017**

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

FROM: Kenneth D. Ackerman /s/ Kenneth D. Ackerman 6-22-00  
Administrator

SUBJECT: The Agriculture Risk Protection Act of 2000 and Mandatory Amendment No.3  
to the 1998 Standard Reinsurance Agreement (SRA)

**BACKGROUND:**

On June 20, 2000, the Agricultural Risk Protection Act of 2000 (2000 Act) was signed by the President. Subtitle A of the 2000 Act requires the Federal Crop Insurance Corporation (FCIC) to amend current provisions of the 1998 Standard Reinsurance Agreement (SRA) governing administrative fees and loss adjustment expense reimbursement. The attached Amendment No. 3 amends SRA provisions governing Catastrophic Risk Protection (CAT) and additional coverage administrative fees, loss adjustment expense for CAT, payment of fees on the behalf of the policyholder, electronic filing, and other requirements.

The 2000 Act mandates changes to administrative fees paid by eligible producers. For CAT coverage, a policyholder must pay \$100 for each eligible crop insurance contract in each county; and the administrative fee shall be paid by the producer on the date that premium for an additional coverage policy would be paid. For coverage at levels in excess of CAT, the producer shall pay an administrative fee of \$30 per crop per county.

If permitted by state law, a cooperative or trade association that receives a licensing fee or other payment from a Company, may return all or part of the fee or payment to policyholders who purchase CAT or additional coverage in those States in which the practice is permitted. Under these arrangements, CAT fees may be paid on the behalf of policyholders in the States in which the practice is permitted, or on the behalf of policyholders in the adjoining States.

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

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The 2000 Act reduces the amount of loss adjustment expense FCIC will pay to the Company from 11.0 percent to 8.0 percent of the total net book premium for eligible CAT crop insurance contracts.

The Summary of Coverage and billing statement provided to the policyholder must prominently display the dollar amount of the portion of the premium paid by FCIC, the amount of premium and any administrative fees due the Company from the policyholder.

Certain required data collected from the producer may not be disclosed to the public unless consent from the producer is obtained, or unless the data is transformed into a statistical or aggregated form that does not permit the identification of any policyholder who disclosed the information.

The Company shall submit to FCIC the name and identification number of the policyholder and any person with a substantial beneficial interest, the agricultural commodity to be insured, the elected coverage level, including the price election selected by the policyholder.

The insurance provider is also required to allow eligible producers to use electronic methods to submit information required by FCIC to the maximum extent practicable. Insurance providers must file their proposals for providing such electronic services with their Plans of Operation.

#### ACTION:

To implement the 2000 Act, the 1998 SRA is amended as follows:

- 1) Section I. revises the definition of Additional Coverage and deletes the definition of Limited Coverage.
- 2) Section II.A.6. provides for individual States to determine whether arrangements to provide licensing fees or other payments to cooperative or trade associations are valid.
- 3) Section III.B. changes the amounts and types of administrative fees collected from producers and stipulate the Company's responsibility for remitting such fees; and allows the payment of administrative fees on the behalf of the policyholder; and requires that the amount of subsidy paid on the behalf of the policyholder by FCIC be prominently displayed on the Summary of Coverage and the billing statement.
- 4) Section IV. limits the amount paid to a Company for loss adjustment to 8.0 percent of the net book premium computed for eligible CAT crop insurance contracts.
- 5) Section V.A. protects the disclosure of certain information provided by policyholders.

- 6) Section V.B. requires the reporting of the name, identification number of the policyholder and any person having a substantial beneficial interest, the commodity insured, the coverage level and the price election selected within 30 days of the sales closing date.
- 7) Section V.G.1. adds the requirement that insurance providers allow eligible producers to use electronic methods to submit information required by FCIC. The Company must file its proposal for providing such service utilizing electronic methods with its Plan of Operation.

Attached are two copies of Amendment No. 3 to the 1998 SRA which must be executed for FCIC to provide reinsurance and subsidy in the 2001 and subsequent reinsurance years. Each copy must be signed as an original and returned to FCIC at the address shown below via overnight mail by June 28, 2000. The Amendment should be signed by the person authorized by the Company's Board of Directors to enter into the SRA.

**OVERNIGHT MAIL:**

USDA/Risk Management Agency  
Reinsurance Services Division  
E. Heyward Baker, Director  
1400 Independence Avenue, SW  
Stop Code: 0804  
Room 6727-South Building  
Washington, DC 20250  
Phone: (202) 720-4232

Failure to execute the amendment will terminate your Standard Reinsurance Agreement as of the end of the 2000 reinsurance year (June 30, 2000).

Disposal Date: December 31, 2001

Attachments(2):