



United States Department of Agriculture

Farm and Foreign Agricultural Services
Risk Management Agency

BULLETIN NO: MGR-99-042

TO: All Reinsured Companies
All Risk Management Field Offices

FROM: Kenneth D. Ackerman /s/ Ken Ackerman 10-27-99
Administrator

SUBJECT: 2000 Crop Year Estimated Premium Discount

BACKGROUND:

The Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act for the fiscal year ending September 30, 2000, (Public Law H.R. 1906) authorized funds for disaster relief. Included is \$400 million for USDA to assist agricultural producers in purchasing additional crop insurance coverage for the 2000 crop year. The exact amount of premium discount percentage cannot be determined at this time because it depends upon the number of producers who eventually purchase crop insurance at additional coverage levels, acres planted, and all the other factors affecting total premiums. Therefore, an estimate must be used.

This Bulletin outlines the implementation of the 2000 crop year premium discount.

ACTION:

A. Crop Insurance Premium Incentive Discount (Premium Discount)

The premium discount is for the 2000 crop year policies at the limited or additional coverage levels (buy-up). The premium discount is estimated to be 25 percent of the producer paid premium but may depend upon a proration based on the total amount of eligible producer-paid premium on eligible crop policies. The Risk Management Agency (RMA) will re-examine this estimate after March 15, 2000, to determine if any adjustments are needed prior to the June 30, 2000, billing date. RMA will request reinsured companies provide a special data report as soon as possible after March 15th to facilitate analysis (additional reporting instructions will be provided later to arrive at a more accurate estimate).



1400 Independence Ave., SW • Stop 0801 • Washington, DC 20250-0801

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All Programs Authorized Under the Federal Crop Insurance Corporation

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1. Reinsured companies must advise producers of the premium discount through their agent force and other methods of their choosing.
2. Premium discounts for scab and/or vomitoxin are not applicable for the 2000 crop year.

B. Application Period to Facilitate the Premium Discounts

1. Reinsured companies may accept applications for new or changed coverage for the 2000 crop year for those crops with published sales closing dates between June 30, 1999, and December 1, 1999, as follows:

<u>State</u>	<u>Application Deadline</u>	<u>Production/Acreage Reporting Date</u>
All States	12/1/99	Later of 12/1/99 or date contained in the applicable crop policy.

2. Current insureds may not transfer a crop policy for affected crops to another insurance provider during this extended application period. A policy may not be canceled after its cancellation date unless the insured changes insurance plans while retaining the same or a higher coverage level. (A change in insurance plans means any change such as Actual Production History (APH) to Crop Revenue Coverage (CRC), Group Risk Plan (GRP) to Revenue Assurance (RA), Group Risk Income Protection (GRIP) to APH, Income Production (IP) to RA, etc.).
3. A change in coverage must be made either on an application or contract change form. Any change is allowed as long as the coverage increases (Catastrophic Risk Coverage (CAT) to Limited, Limited to Additional) or the coverage level and price election are not lowered. For example, a winter wheat policy at 65/100 may add winter coverage endorsement A or B; an apple policy may add the sunburn option; a policy at 65/100 may change to 70/100, and so forth. Price elections may not be reduced unless the reduction results from a change in insurance plans (e.g., APH with a \$3.15 price to CRC with a \$3.00 price).

These policies will be considered Revised Applications for purposes of Section E.

4. Producers ineligible for crop insurance coverage due to a delinquent debt may satisfy such debt and obtain coverage during the extended application period.

5. Written agreement deadlines are extended to correspond to these dates.
6. An original acreage report filed before a change in coverage is made cannot be revised unless required due to the new insurance plan (e.g., short rated wheat on an original acreage report may be deleted if purchasing CRC; acreage uninsurable under one plan may be added if it is insurable under another, and so forth).
7. The reductions in administrative expense reimbursements contained in section III.G. of the Standard Reinsurance Agreement (SRA) do not apply for acreage reporting dates affected by this extension.
8. Crop inspections to determine damage at the time of new or revised application are not required.
9. No changes may be made to any crop policy with a sales closing date prior to July 1, 1999, (e.g., the Pecan Pilot program is a 2-year insurance contract; therefore, a pecan policy written beginning with the 1999 crop year cannot be increased for the 2000 crop year).

C. Limitations on the Premium Discounts

The total premium discount provided to any Taxpayer Identification Number cannot exceed \$80,000. The Data Acceptance System (DAS) will include edits to monitor this limitation and advise affected companies that the limit is exceeded if insurance is taken through more than one company.

D. Disaster Payment Crop Insurance Requirement

Producers who receive a disaster payment on uninsured crops must purchase a crop insurance policy for their 2000 and 2001 crops.

E. Premium Billing and Loss Processing

1. Billing -- Reinsured companies will deduct the estimated 25 percent premium discount from the producer premium on the billing statement for billing dates on or after December 1, 1999. The following statement must be included on the bill:

“Your premium has been reduced by an estimated 25 percent resulting from funds made available by USDA for Emergency Financial Assistance. This is an estimate subject to adjustment after all acreage reports for the 2000 crop year have been received.”

2. Loss Processing -- The total Claim for Indemnity for the 2000 crop year is to be reduced by the producer owed premium after the premium discount.

Companies must refund the amount of the discount within 30 days after the date of this notice for any indemnities from which the producer owed premium, before discount, has been withheld.

The DAS modifications in effect for the 1999 crop year remain in effect for the 2000 crop year. This allows the Reinsurance Accounting System to continue recognizing the "Producer Premium" amount as premium due from the reinsured company. Reinsured companies must only collect and report to DAS this adjusted "Producer Premium" amount. Reinsured companies may immediately begin submitting data with producer premium reflecting applicable premium discounts.

F. Reinsurance Fund Designation

Reinsured companies may designate new policies and policies with changes to coverage as defined in section B of this bulletin as follows:

1. Original application - The fund designation for a policy written on or before the original sales closing date that does not change coverage level or insurance plan, may not be changed.
2. Revised application - The fund designation for a policy with a change as authorized by this bulletin may remain the same or it may be changed to a fund with less risk exposure (i.e., a Commercial Fund policy may be designated to the Developmental or Assigned Risk Funds or a Developmental Fund policy may be designated to the Assigned Risk Fund).
3. New application - A policy written after the original sales closing date and before the extended application deadline may be designated to any fund.

Companies must make fund designations no later than January 15, 2000. The Assigned Risk Fund state allocation limits are waived for the 2000 reinsurance year.

DISPOSAL:

This bulletin is effective until December 31, 2000.