

**APPENDIX 2
PLAN OF OPERATION**

**AQUATIC CROP REINSURANCE AGREEMENT
REINSURANCE YEAR BEGINNING JULY 1, 1999**

The Aquatic Crop Plan of Operation (Plan) is specified in the Aquatic Crop Reinsurance Agreement (Agreement) between the Federal Crop Insurance Corporation (FCIC) and the Company. This Plan must contain the information requested herein and the Company must provide its certification as to the accuracy and completeness of the Plan. The Plan will be used by FCIC to determine the Company's qualifications for participation in this reinsurance program. The Plan will be incorporated into and become part of the Agreement.

If a Company has submitted a Standard Reinsurance Agreement Plan of Operation for the same reinsurance year and the exhibit information is the same for this Plan, the Company must state this in the Plan to waive exhibit submission. A Company is required to submit exhibits 11, 12, 13, and 14.

The Company must file a new Plan for each subsequent reinsurance year. Failure by the Company to file a Plan for any subsequent reinsurance year will result in the suspension of the Company's authority to issue or renew eligible aquatic crop insurance contracts for subsidy or reinsurance by FCIC.

Any changes in the Plan must be reported by the Company to FCIC within fifteen days from the date of the change. Information, documents, exhibits, or forms, are to be numbered in the Plan to correspond with the paragraphs herein to which they pertain. The information required is:

1. The name, address, phone number, and tax identification number of the Company.
2. The names, addresses, and tax identification numbers of all other insurance companies who will issue eligible aquatic crop insurance contracts that are reinsured or insured by the Company.
3. The names, phone numbers, and addresses of a managing general agency, or any other organization or established place of business, except as listed in item 1 and 2 above, which is responsible for producing and electronically processing any aquatic crop insurance business under this Agreement. Specify in what capacity each organization listed will act on behalf of the Company. Organizational charts with supervisory lines of authority for the managing general agency only.
4. If applicable, a letter of confirming authority from an officer of the Company as listed in the Company's Annual Statement filed with any state, authorizing and empowering a managing general agency or general agency to secure insurance liability on behalf of the Company in producing aquatic crop insurance business.
5. The names, titles, addresses, and telephone numbers of at least two persons designated by the Company as managers of the aquatic crop insurance program. Each person will act as liaison or contact for the Company to the FCIC regarding the Agreement.
6. The addresses and telephone numbers of each regional office, general agency, service center, or any other Company designated office other than the Company's or managing general agency's home office.

- a. The identity of each regional office, general agency, service center, and other Company designated office, which will retain original insurance documents relative to policyholder servicing, (i.e. applications, acreage reports, summaries of coverage, proofs of loss and similar documents), and including the names of the office managers and the identity of the states serviced.
 - b. The identity of the field or regional offices, general agencies, service centers, or other Company designated office which will key-punch, submit on data disk or tape, or electronically process original insurance documents relative to policyholder servicing, (i.e. applications, acreage reports, summaries of coverage, proofs of loss and similar documents), including the names of the office managers and the states serviced. (If identical to 6. a., so state.)
 - c. The types of insurance documents key-punched, submitted on data disk or tape, or electronically processed by each organization indicated in items 6.a. and b.
 - d. The Company is required to provide FCIC access to Agent and Loss Adjuster Identification Data maintained by the Company for the purposes of issuing Agent Directory information, and a source for agent and loss adjuster codes verification. This data shall be provided in accordance with Manual 13.
7. The names and addresses of organizations other than the Company that will provide the following services for the aquatic crop insurance programs of the Company.
- a. Administration of rates and development of policies and forms.
 - b. Preparation of statistical data for transmission to FCIC.
 - c. Providing of training for loss adjusters.
 - d. Providing of training for sales personnel.
 - e. Issuance of FCIC approved policies and procedures.
8. All state licenses held by the Company and its policy issuing companies under the insurance laws or regulations of any state or Insurance Department of the state in which the Company produces its book of business including, but not limited to, the date each license was issued and its expiration date or renewal date. (If the license is considered "perpetual", without renewal, this must be indicated.)
9. The Company's most recent annual and quarterly statement filed with the Insurance Department for the state in which the Company is domiciled and a copy of any report on internal controls or management recommendations received from independent auditors. Statutory Management Discussion and Analysis; most recent State Insurance Department Examination Report; Actuarial Opinion of Reserves; Annual GAAP Statement or Form 10K (if applicable); and the Audited Annual Report to Shareholders; and any other information determined necessary by FCIC.
10. The Company's eleven current financial ratios defined in the National Association of Insurance Commissioners Insurance Regulatory Information System (IRIS) as required by FCIC.
11. The maximum reinsurable premium volume for the reinsurance year. (This may be more than the total provided in Item 12).

12. An estimate (Exhibit 12) of the Catastrophic Risk Protection Plan, and Limited and Additional Protection Plan aquatic crop insurance net book premium to be designated in each fund within each state for the reinsurance year.
13. A declaration (Exhibit 13) of the percent of the net book premiums and associated liability for ultimate net losses the Company will retain in the Commercial Fund within each state.
14. A declaration (Exhibit 14) of the percent of net book premiums and associated liability for ultimate net losses the Company will retain in the Developmental Fund within each state.
15. A declaration as to the Company's intention to participate in the Assigned Risk Fund within the limits outlined in Exhibit 15, Maximum Cessions to Assigned Risk Fund.
16. The name and address of the Company or general agency and the bank that will make electronic fund transfer (EFT) payments to FCIC for the Company.
17. The name and address of the organization to whom payments from FCIC should be remitted for amounts due on Monthly and Annual Summary reports.
18. A declaration as to the Company's intention to use the Escrow Agreement if reimbursements by FCIC for losses paid by the Company will be made through the procedures covered by the Escrow Agreement. If applicable, complete and attach Exhibit 27, Escrow Agreement/Arrangement.
19. A declaration as to the Company's intention to place a portion of its net (after FCIC reinsurance) aquatic crop insurance liability in the commercial reinsurance market. The following information is required by January 31 each reinsurance year:
 - a. The name and principal of each commercial reinsurer.
 - b. A copy of the reinsurance treaties issued to the Company by the principal reinsurers which outline the description of reinsurance including type, attachment points and limits, aggregate limits, minimum deposit, and variable premium rates.
 - c. The subscription of each reinsurer to each such treaty, or reinsurance binder for each the reinsurer, the intermediaries, or brokers of reinsurance.
20. The Company must report their allowable aquatic crop insurance expenses (Exhibit 20A) using the National Association of Insurance Commissioners (NAIC) allocation methods contained in the most recent Financial Condition Examiners Handbook (Handbook), Uniform Accounting Section, Parts II through V.

Exhibit 20A. - Listing of Allowable Expenses.

Exhibit 20B. - NAIC Insurance Expense Exhibit (IEE), Part 1, Allocation to Expense Groups. Aquatic crop insurance expenses are to be shown before FCIC reimbursement by expense group and classification. FCIC expense and tax reimbursement should be shown on line 21, Miscellaneous Operating Expenses.

Exhibit 20C. - NAIC Insurance Expense Exhibit (IEE), Part 2, Allocation to Lines of Business Net

of Reinsurance. Aquatic crop insurance expenses are to be shown before FCIC reimbursement net of commercial reinsurance. FCIC expense and tax reimbursement shown on line 31, Aggregate Write-ins for Other Lines of Business.

Exhibit 20D. - NAIC Insurance Expense Exhibit (IEE), Part 3, Allocation to Lines of Direct Business Written. Aquatic crop insurance expenses are to be shown before FCIC reimbursement. FCIC expense and tax reimbursement shown on line 31, Aggregate Write-ins for Other Lines of Business.

21. The quality control (self-audit) plan which includes a copy of the procedures and standards developed by the Company, or its service organization and adopted by the Company as its quality control (self-audit) procedure. This plan must meet the guidelines and expectations of FCIC required by Manual 14. The quality control (self-audit) plan must include the monitoring of producer certification, Company determination and verification of yield data, or other information used to establish insurance guarantees that meets the guidelines contained in Manual 14.
22. The training plan which includes an outline of the training programs utilized by the Company to evaluate the knowledge and competency of sales and loss adjustment personnel. This plan must meet the guidelines required by Manual 14.

NOTE: Each assurance statement referenced in items 23 - 26 below must be signed by the same officer of the Company accepting this Agreement and who has signed for the Company on page 23 of the Agreement.

23. The Company must submit in accordance with section I. of Appendix I, its assurance statement regarding procurement integrity. The statement must provide FCIC the assurance that requirements under this section are met.
24. The Company must submit in accordance with section II. of Appendix I, its assurance statement regarding a drug free workplace. The assurance statement should include an outline of the Company's procedure to ensure that requirements of this section are met.
25. The Company must submit in accordance with section III. of Appendix I, its assurance statement regarding anti-lobbying. OMB Form LLL, Disclosure of Lobbying Activities, (Exhibit 28), if applicable, must be filed with FCIC in accordance with this section.
26. The Company must submit in accordance with section VI. of Appendix I, its assurance statement regarding discrimination. The assurance statement must meet the requirements contained in Manual 14.
27. Escrow Agreement and Arrangement.
28. OMB Form LLL, Disclosure of Lobbying Activities (if applicable)