

**APPENDIX 2
PLAN OF OPERATION**

**LIVESTOCK PRICE REINSURANCE AGREEMENT
2004 REINSURANCE YEAR**

The plan of operation (Plan) is incorporated by reference into the Livestock Price Reinsurance Agreement (Agreement) between the Federal Crop Insurance Corporation (FCIC) and the Company. The Company must file a new Plan for each subsequent reinsurance year. Any changes in the Company's information submitted in the Plan must be reported by the Company to FCIC within 15 days from the date of the change.

The Plan must contain the information stated and the Company must certify the accuracy and completeness of the Plan. Information, documents, exhibits, or forms, are to be numbered in the Plan to correspond with the paragraphs herein to which they pertain.

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 livestock price insurance contracts that are reinsured or insured by the Company.
3. The names, phone numbers, and addresses of a managing general agent, or any other organization or established place of business, except local agents and items listed in 1 and 2 above, which is responsible for producing and electronically processing any 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 agent.
4. If applicable, a letter 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 business under the Agreement.
5. The names, titles, addresses, and telephone numbers of at least two persons designated by the Company as managers of the business produced under the Agreement. Each person will act as liaison or contact for the Company to the FCIC regarding this 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 will retain original insurance documents relative to policyholder servicing (i.e., applications, production reports, summaries of coverage, proofs of loss and similar documents). Insurance agency offices may be designated in accordance with Manual 13.

7. The names and addresses of organizations other than the Company that will provide the following services for business reinsured under the Agreement.
 - a. Administration of rates and development of policies and forms.
 - b. Preparation of data for transmission to FCIC.
 - c. Issuance of FCIC approved policies and procedures.
 - d. Loss adjustment services. (If loss adjustment services are provided on a regional, State, or other area basis, the area(s) must be disclosed).
8. Identification of all licenses held by the Company and its policy issuing companies under the insurance laws or regulations of all States in which the Company produces business reinsured under this Agreement including, but not limited to, the license number or other identifier, the date each license was issued and its expiration date or renewal date, and whether or not the license is perpetual.
9. A copy of the Company's most recent annual and quarterly statement filed with the Insurance Department for the State in which the Company is domiciled; a copy of any report on internal controls or management recommendations received from independent auditors; the Statutory Management Discussion and Analysis; the most recent State Insurance Department Examination Report; the Actuarial Opinion of Reserves; the Annual Audited Financial Report; and any other information determined necessary by FCIC.
10. A copy of the Company's current financial ratios defined in the National Association of Insurance Commissioners Insurance Regulatory Information System (IRIS) as required by FCIC.
11. The requested maximum reinsurable premium volume for the reinsurance year. (This may be more than the total provided in item 12).
12. Estimates of the net book premium, by insurance plan, to be designated in the Private Market Fund and the Commercial Fund, within each State for the reinsurance year.
13. The percent of the net book premiums and associated liability for ultimate net losses the Company will cede to FCIC in the Private Market Fund and the Commercial Fund within each State.
14. 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.
15. The name and address of the organization to whom payments from FCIC should be remitted for

amounts due on Monthly Summary reports.

16. A report of the Company's reportable expenses for business reinsured under this Agreement for the previous calendar year, as provided below, using the National Association of Insurance Commissioners (NAIC) allocation methods contained in the most recent Financial Condition Examiners Handbook, Uniform Accounting Section, Parts I through V., and Exhibit 16A.
 - a. Exhibit 16A. - Guidelines for preparing Exhibit 16B.
 - b. Exhibit 16B. - Allocation of Expense Groups for FCIC reinsured business. Expenses are to be shown before A&O subsidy by expense group and classification using the guidelines found in Exhibit 16A. FCIC A&O subsidy should be shown on line 23 and net book premium on line 24.
 - c. The NAIC Insurance Expense Exhibit (IEE) filed with the Insurance Department for the State in which the Company is domiciled.

17. A declaration as to the Company's intention to place a portion of its net liability (after FCIC reinsurance) in the commercial reinsurance market and/or to use private market instruments.
 - a. Commercial Reinsurance Market
 - i. A copy of the reinsurance treaties issued to the Company with a description of the type of reinsurance, attachment points and limits, aggregate limits, minimum deposit, and variable premium rates. The percent subscribed by each reinsurer to each treaty, or binder, and the names of each reinsurer, intermediary, or broker.
 - ii. The percent subscribed by each reinsurer to each treaty, or binder, and the names of each reinsurer, intermediary, or broker.
 - b. Private Market Instruments
 - i. A description of the private market instruments the Company intends to use.
 - ii. Name, address, and phone number of the Company personnel responsible for managing the purchase and redemption of private market instruments.
 - iii. Name, address, and phone number of the intermediary/broker responsible for purchasing the private market instruments on behalf of the Company.

- iv. The Company's administrative guidelines and conditions for private market instrument purchasing and redemption.
- 18. A plan of how the Company will service the policies reinsured under the Agreement in the event the Company and/or the managing general agent is no longer able to meet the requirements of section II.A.8. of the Agreement, or is not eligible to participate in the Federal crop insurance program.
- 19. With respect to the training requirements contained in Manual 14:
 - a. Identify the names and titles of persons who will have oversight responsibilities for the training programs.
 - b. Provide an outline of the processes involved in implementing its training programs which demonstrate compliance with the training requirements of paragraph 6 of Manual 14.
- 20. With respect to the quality control requirements of Manual 14:
 - 1. Provide the annual written summary report required in Manual 14.
 - 2. Provide an outline of the quality control plan required in Manual 14.

NOTE: Each assurance statement referenced in items 21 - 24 below must be signed by the same officer of the Company accepting this Agreement and who has signed this Agreement for the Company.

- 21. 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.
- 22. 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.
- 23. 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 24), if applicable, must be filed with FCIC in accordance with this section.
- 24. The Company must submit its assurance statement regarding discrimination.

