2004 LIVESTOCK PRICE REINSURANCE AGREEMENT

between the

FEDERAL CROP INSURANCE CORPORATION

and the

____
(Insurance Company Name)

____
(City and State)

This Agreement establishes the terms and conditions under which FCIC will provide subsidy and reinsurance on eligible livestock price insurance contracts sold or reinsured by the above named insurance company, for the above referenced reinsurance year. This Agreement is authorized by the Act and regulations promulgated thereunder codified in 7 C.F.R. chapter IV. Such regulations are incorporated into this Agreement by reference. The provisions of this Agreement that are inconsistent with provisions of State or local law or regulation will supersede such law or regulation to the extent of the inconsistency. This is a cooperative financial assistance agreement between FCIC and the Company to deliver eligible livestock price insurance contracts under the authority of the Act. For the purposes of this Agreement, use of the plural form of a word includes the singular and use of the singular form of a word includes the plural unless the context indicates otherwise. The headings in this Agreement are descriptive only and have no legal effect on FCIC or the Company.

SECTION I. DEFINITIONS

"Act" means the Federal Crop Insurance Act, as amended (7 U.S.C. 1501 et seq.).

"A&O subsidy" means the subsidy for the administrative and operating expenses authorized by the Act and paid by FCIC on behalf of the producer to the Company.

"Agency" means the person or entity with a contract or agreement with the Company or its MGA to sell and service eligible livestock price insurance contracts under the Act.

"Agent" means an individual licensed by the State in which the agent does business under contract with a Company, its managing general agent, or any other entity, to sell and service eligible livestock price insurance contracts.

"Agreement" means this Livestock Price Reinsurance Agreement, all Appendices, all referenced documents including Manual 13 and the Approved Manual 14.

"Approved Manual 14" means the Guidelines and Expectations for the delivery of the Federal Crop Insurance Program (Manual 14) as it exists 30 days prior to the date on which the Plan of Operations must be submitted to FCIC with respect to such reinsurance year.

"Board" means the FCIC Board of Directors.

"Cede" means to pass all or part of the net book premium and associated liability for ultimate net losses on eligible livestock price insurance contracts written by a Company under this Agreement.

"Claims supervisor" means any person having immediate day-to-day supervisory control (e.g., assigning and reviewing work of Company employees or exercising appropriate management of contractors) over the activities of loss adjusters or other persons who determine whether an indemnity will be paid and the amount.

"Code of Federal Regulations (C.F.R.)" means the code published annually in accordance with the Federal Register Act (44 U.S.C. chapter 15) by the Office of the Federal Register that contains each published Federal regulation of general applicability and legal effect.

"Company" means the private insurance Company named on this Agreement.

"Company payment date" means the last business day of the month.

"Competing agency" means an agency selling or servicing any eligible livestock price insurance contract in any county (including all counties adjoining such county) in which another agency has sold or is in the process of selling any eligible livestock price insurance contract.

"Contract Change Date" means the date specified in the livestock price insurance contract by which FCIC must make all changes to the livestock price insurance contract in order to make such changes binding on FCIC, the Company, and the policyholder.

"Electronic Data Acceptance System (e-DAS)" means the EDP system that receives, and accepts or rejects the Company submitted livestock price insurance contract data upon which all payments to FCIC and the Company are based.

"Electronic data processing (EDP)" means the electronic process by which information is digitally transferred, used, and stored.

"Electronic fund transfer (EFT)" means the process by which funds are electronically transferred between FCIC's account and the Company's account.

“Eligible livestock price insurance contract” means a livestock price insurance contract that was authorized by the Act and approved by the Board and is sold and serviced consistent with the Act, 7 C.F.R. chapter IV, FCIC approved regulations and procedure, at applicable rates, terms, and special conditions; having a sales date within the reinsurance year; to an eligible producer, covering livestock price risk in an area approved by FCIC; and on forms approved in writing by FCIC.

“Eligible producer” means a person who meets all the conditions for eligibility specified in 7 C.F.R. chapter IV.

“Employer identification number (EIN)” means the identification number for an individual, business entity, or a foreign entity obtained from the Internal Revenue Service pursuant to section 6109 of the Internal Revenue Code of 1986.

“Federal Crop Insurance Corporation (FCIC)” means the wholly-owned government Corporation within the United States Department of Agriculture authorized to carry out all actions and programs authorized by the Act.

“FCIC payment date” means the first banking day following the 14th calendar day after FCIC receives the monthly summary report and supporting data from the Company upon which the payment is based.

“Federal work day” means any day when Federal Government offices are open for business, excluding Saturdays and Sundays.

“Insurable interest” means the portion of insured livestock that is owned by the insured at the time of an insurable loss.

“Livestock price insurance contract” means an agreement (with the terms in effect as of the contract change date) to insure the insurable interest of a producer in livestock, as provided by the application, policy provisions, specific coverage endorsements, and any other instrument or endorsement as approved by FCIC.

“Loss ratio” means the ratio calculated by dividing the ultimate net loss by the net book premium, expressed as a percentage.

“Managing general agent (MGA)” is an entity that meets the definition of managing general agency under the laws of the State in which it is incorporated, or in the absence of such State law or regulation, meets the definition of a managing general agency in the National Association of Insurance Commissioners Model Act.

“Manual 13” means the Data Acceptance System Handbook for the reinsurance year for which this Agreement is effective.

“Net book premium” means the total premium calculated for all eligible livestock price insurance contracts, less A&O subsidy, cancellations, and adjustments.

“Person” means any individual or legal entity possessing the capacity to contract.

“Plan of Operations” means the information and documents required from the Company under section IV.F. and Appendix 2 of this Agreement.

“Policyholder” means an eligible producer who has been issued one or more eligible livestock price insurance contracts.

“Policy Expiration” means the first date on which the eligible livestock price risk insurance contract is no longer in effect under the terms of the eligible livestock price risk insurance contract or any endorsements thereto.

“Private Market Instrument” means any instrument such as an option, future, or forward contract, but not commercial reinsurance, that is used to transfer or hedge risk retained by the Company under this Agreement, and that is purchased through the Chicago Mercantile Exchange, the Chicago Board of Trade, the Minneapolis Board of Trade, the Kansas City Board of Trade, or any other Commodity Exchange regulated by the Commodity Futures Trading Commission (CFTC) to cover the risks insured by the eligible livestock price risk insurance contract.

“Producer premium” means that portion of the FCIC approved insurance premium for the risk of loss that the policyholder must pay.

“Records” means original documents, including original signed documents that may have been recorded, copied, or reproduced in the original form by any photographic, photostatic, microfilm, microcard, miniature photographic, optical disk, electronic imaging, electronic data processing, or electronically transmitted facsimile technology: Provided, That any signature, including electronic signatures as approved by FCIC, contained on the original is preserved.

“Reinsurance year” means the period from July 1, 2003 through June 30, 2004.

“Retained” as applied to ultimate net losses or net book premium means the remaining liability for ultimate net losses, and the right to associated net book premiums, after all reinsurance cessions to FCIC under this Agreement.

"Risk subsidy" means that portion of the FCIC approved insurance premium for the risk of loss paid by FCIC on behalf of the policyholders.

"Sales supervisor" means any person having immediate or day-to-day supervisory control (e.g., assigning and reviewing work of Company employees or exercising appropriate management of contractors) over the activities of sales agents, competing agencies or sales agency employees on behalf of the Company.

"Satisfactory performance record" means a record of performance that demonstrates conformity with all requirements of this Agreement. The Company or its MGA, if applicable, shall be deemed to have a satisfactory performance record if any deficiency was caused by circumstances beyond its control and where, as soon as it was made aware of the deficiency, it took timely and appropriate corrective action. Material misconduct on the part of any employee, agent, loss adjuster, or any other contractor will not be considered as a deficiency beyond its control. Nothing contained herein affects the Company's liability under any other provision of this Agreement. Continued failure to meet requirements of the Agreement is a significant factor considered in determining satisfactory performance.

"Social security number" (SSN) means the identification number provided for an individual by the Social Security Administration, and may be the tax identification number (TIN).

"Total Premium" equals the sum of risk subsidy and A&O subsidy paid by FCIC, and the premium paid by the policyholder.

"Transaction cutoff date" for weekly data reporting is 6 p.m. central time on Saturday of each week. The transaction cutoff date for the monthly summary reports is 6 p.m. central time on the Saturday occurring within the first full week (i.e., Sunday through Saturday) of the month.

"Ultimate net loss" means the amount paid by the Company under any eligible livestock price insurance contract reinsured under this Agreement in settlement of any claim and in satisfaction of any judgment or arbitration award rendered on account of such claim, or other recovery or salvage received by the Company. Ultimate net loss may include interest and policyholder's court costs related to the eligible livestock price insurance contract provisions or procedures that are contained in a final judgment against the Company by a court of competent jurisdiction if FCIC determines: (1) that such interest or court costs resulted from the Company's substantial compliance with FCIC procedures or instructions in the handling of the claim or in the servicing of the policyholder or that the actions of the Company were in accordance with accepted loss adjustment procedures; and (2) that the award of such interest or court costs did not involve negligence or culpability on the part of the Company. Ultimate net loss may also include interest or policyholder's court costs related to the livestock price insurance provisions or procedures that are included in the settlement of any claim if FCIC, in addition to the determinations included above, is advised of the terms of and the basis for the settlement and determines that the settlement should be approved. Under no circumstance are any punitive or consequential damages included in the calculation of ultimate net loss.

"Underwriting" means the acceptance or rejection of individual insurance risk, and determining the amounts and the terms by which the Company will accept the risk for an eligible livestock price insurance contract.

"Underwriting Capacity Manager" (UCM) means the FCIC system that monitors FCIC's underwriting capacity for livestock price insurance contracts and accepts or rejects the application of the eligible producer based on capacity availability.

SECTION II. REINSURANCE

A. General Terms

1. Except as provided herein, only eligible livestock price insurance contracts will be reinsured and subsidized under this Agreement. Livestock price risk insurance contracts that are not accepted by the UCM will not be eligible for reinsurance or subsidy, even if they meet the definition of an eligible livestock price insurance contract. Failure to follow FCIC approved procedures, written instructions, or the terms of this Agreement, may result in denial of reinsurance and subsidy.

2. If a Company chooses to offer a plan of insurance, it must accept and approve all applications for such plan from all eligible producers and may not cancel the livestock price insurance contract held by any policyholder so long as the policyholder remains an eligible producer, underwriting capacity is available, and the Company continues to write eligible livestock price insurance contracts for such plan within the State.

3. In exchange for the reinsurance premiums ceded by the Company pursuant to this Agreement, FCIC will provide the Company with reinsurance pursuant to the provisions of this Agreement.

4. All eligible livestock price insurance contracts reinsured and subsidized under this Agreement must conform to the policy terms as approved by the Board and the Manager of FCIC.

5. To be accepted by the UCM, the Company must submit to FCIC:

    a. The name and identification number of the policyholder;
    b. The agricultural commodity to be insured under the livestock price risk insurance contract;
    c. The elected coverage level; and

d. Any other information required under Manual 13.

6. No portion of the net book premium or the A&O subsidy may be rebated in any form to policyholders, except as authorized by the Act and approved in writing by FCIC. If permitted by State law, a cooperative or trade association that receives a licensing fee or other payment from a Company or its agent may return all or part of such licensing fee or other payment to policyholders that purchase a livestock price insurance contract in those States in which such practice is permitted in accordance with the applicable procedures. A Company who makes any payments to a cooperative or trade association, regardless of whether the payments are rebated to producers, must provide a statement from the State Department of Insurance or Insurance Commissioner regarding whether the payment is authorized under the laws of the state. Neither the Company nor its agents shall assess service fees or additional charges on eligible livestock price insurance contracts reinsured and subsidized under this Agreement except as authorized by the Act and approved in writing by FCIC.

7. Only the amount of net book premium authorized by FCIC in the approved Plan of Operations may be reinsured and subsidized under this Agreement. The UCM will not accept any eligible livestock price insurance contracts if the Company's in-force net book premium volume exceeds the maximum reinsurable net book premium volume approved by FCIC. The Company may request that FCIC reevaluate its approved maximum reinsurable net book premium volume, whenever the Company has an increase in policyholder surplus or secures additional commercial reinsurance.

8. To be eligible for an Agreement, or continue to hold an Agreement:

   a. The Company must have adequate financial resources at the beginning of the reinsurance year as required by 7 C.F.R. part 400, subpart L. If at any time during the reinsurance year the Company no longer has adequate financial resources, the Company must timely obtain such resources.
   b. The Company, and any MGA that it appoints or proposes to appoint must:

      i. Have a satisfactory performance record;

      ii. Have the necessary organization, experience, accounting and operational controls, and technical skills to fulfill its obligations under the Agreement, or the ability to obtain them;

      iii. Have the necessary equipment to fulfill its obligations under the Agreement, including, but not limited to, EDP resources and facilities or the ability to obtain such equipment; and

iv. Perform under a written contract or agreement with each other.

B. Reinsurance

All eligible livestock price insurance contracts accepted by the UCM will be automatically designated to the Commercial Fund. However, the Company may designate any eligible livestock price insurance contract accepted by the UCM to the Private Market Fund in accordance with Manual 13 within two Federal work days of acceptance of the contract by FCIC.

1. Private Market Fund

   a. Proportional: The Company will cede to FCIC at least five percent (5%) and no more than fifty percent (50%) of total net book premium and associated liability for ultimate net losses on eligible livestock price insurance contracts, as designated in its Plan of Operations for any reinsurance year. Such percentage designation must be made in five percent (5%) increments.

2. Commercial Fund

   a. Proportional: The Company will cede to FCIC from zero to fifty percent (50%) of total net book premium and associated liability for ultimate net losses on eligible livestock price insurance contracts, as designated in its Plan of Operations for any reinsurance year. Such percentage designation must be made in five percent (5%) increments.

   b. Non-Proportional: Retained premium and associated liability from eligible livestock price insurance contracts designated to the Commercial Fund are subject to the following stop-loss coverages and premiums:

      i. FCIC shall provide two layers of stop-loss coverage:

         a. <u>First Layer</u>: FCIC's participation on this layer shall be ninety percent (90%) of the amount by which the Company's aggregate ultimate net losses exceeds one hundred and fifty percent (150%) but is less than five hundred percent (500%) of aggregate net book premium retained by the Company.

         b. <u>Second Layer</u>: FCIC's participation on this layer shall be one hundred percent (100%) of the amount by which the Company's aggregate ultimate net losses exceeds five hundred percent (500%) of aggregate net book premium retained by the Company.

ii. The Company shall pay to FCIC a reinsurance premium in an amount equal to four and a half percent (4.5%) of the net book premium retained by the Company for all eligible livestock price insurance contracts designated to the Commercial Fund.

3. The Company shall pay to FCIC all premium ceded to FCIC as proportional reinsurance under the Private Market and Commercial Funds, and any non-proportional reinsurance premium on eligible livestock insurance contracts designated to the Commercial Fund at the first monthly settlement after the Company submits, and the UCM accepts, the eligible livestock price insurance contracts, and will be updated each month thereafter as needed.

4. FCIC shall pay to the Company all reinsurance benefits due the Company on business placed in the Private Market and Commercial Funds at the first monthly settlement after the Company submits, and FCIC accepts, the information needed to accurately establish the liability and losses for such eligible livestock price insurance contracts, and will be updated each month thereafter as needed.

5. At the Company's request, FCIC may, at its sole discretion, provide for bi-weekly settlements.

C. Commercial Reinsurance/Private Market Instruments

The Company will designate in its Plan of Operations whether it will use commercial reinsurance or private market instruments to transfer or hedge its retained liability for ultimate net losses remaining after all cessions to FCIC under this Agreement. When commercial reinsurance is required in order for the Company to meet the Standards for Approval (7 C.F.R. part 400, subpart L), the Company must describe in the Plan of Operations its commercial reinsurance plan and provide the documentation required by FCIC to meet the requirements contained in the Standards for Approval. FCIC will include the Company's retained liability under all reinsurance agreements with FCIC in effect during the reinsurance year in the maximum possible underwriting loss calculation.

SECTION III. SUBSIDIES

A. FCIC will provide risk subsidy and A&O subsidy on behalf of producers as follows:

1. Risk subsidy, for eligible livestock price insurance contracts will be the amount approved by the Board, and will be provided to the Company by FCIC at the first monthly settlement

after the Company submits, and the UCM accepts, the eligible livestock price insurance contracts, and will be updated each month thereafter as needed.

2. A&O subsidy for eligible livestock price insurance contracts will be the percent, approved by the Board, of the net book premium attributed to such eligible livestock price insurance contracts. Payment will be made by FCIC to the Company at the first monthly settlement after the Company submits, and the UCM accepts, the eligible livestock price insurance contracts, and will be updated each month thereafter as needed. Notwithstanding the provisions of this section, under no circumstances will A&O subsidy be paid in excess of the amount authorized by statute.

B. In the event the Company determines that it can deliver eligible livestock price insurance contracts for less than the A&O subsidy paid under this section, it may apply to FCIC for approval to reduce the amount of producer premium charged to policyholders by an amount corresponding to the value of the efficiency.

C. No A&O subsidy for eligible livestock price insurance contracts under this Agreement will be paid if the agent or loss adjuster SSN is not submitted and accepted by FCIC.

D. The Summary of Coverage and billing statement provided to the policyholder shall prominently display the following information:

1. The total premium calculated by adding 2 and 3 below;

2. The risk subsidy (if applicable) and A&O subsidy paid by FCIC to the Company on behalf of the policyholder; and

3. The amount of premium due the Company from the policyholder.

SECTION IV. GENERAL PROVISIONS

A. Collection of Information and Data

1. The Company is required to collect and provide to FCIC the SSN or the EIN for all policyholders and all persons with a substantial beneficial interest in the policyholder as authorized and required by the Food, Agriculture, Conservation, and Trade Act of 1990 (Pub. L. 101-624), and the regulations promulgated thereunder, as codified in 7 C.F.R. part 400, subpart Q.

2. Neither the Company, nor its personnel, agents, or loss adjusters, or other contractors may disclose to the public any information provided by the policyholder unless the policyholder

consents to such disclosure or the information has been transformed into a statistical or aggregated form that does not permit the identification of any particular policyholder information. The public does not include any agency of the United States Department of Agriculture or any other State or Federal Agency.

B. Reports

1. The Company must submit accurate and detailed contract data to FCIC through the e-DAS in accordance with the reporting requirements contained in Manual 13. The e-DAS will only accept, and the Company will only be required to submit data through the automated system for three years following the end of the reinsurance year. Settlement of claims still in litigation, arbitration, or any administrative proceeding three years after the end of such reinsurance year must be reported to FCIC and will be processed manually following final resolution of such action.

2. All reports submitted for reimbursement must be certified by an authorized officer or authorized employee of the Company. The required certification statements are contained in Manual 13.

3. Failure of the Company to comply with the provisions of this Agreement, including timely submission of the monthly data and reports, or any other report required by this Agreement does not excuse or delay the requirement to pay any amount due to FCIC by the dates specified herein. Failure of the Company to make payment in accordance with the provisions of this Agreement is a default of this Agreement by the Company. In addition to the payment of applicable interest, such actions may be a basis to suspend or terminate this Agreement.

4. Producer premiums collected by the Company must be reported on the monthly summary report submitted to FCIC by the accounting cut-off date for the calendar month after collection.

5. All payments due FCIC from the Company will be netted on the monthly summary report with amounts due the Company from FCIC. Any amount due FCIC as a result of the netting effect must be deposited on or before the Company's payment date directly into FCIC's account in the U. S. Treasury by EFT. FCIC will remit amounts due the Company by EFT on or before the FCIC payment date. Any amounts due FCIC or the Company, including any overpayment of indemnity or underpayment of premium owed by the Company, that are not timely remitted are subject to the interest rate provisions contained in section IV.C., with such interest accruing from the date such payment was due to the date of payment.

6. If the Company purchases private market instruments, it must submit a copy of its brokerage statements detailing the purchase, sale, and holdings of private market instruments as required by Manual 13, and certify to the completeness and accuracy of the information provided.

7. In the event that a payment would be due to the Company, except for the erroneous rejection of data by FCIC, the Company shall be entitled to interest accrued on these amounts for the period of such delay, at the rate provided in section IV.C.1.
8. In addition to the reporting requirements contained in Manual 13, the Company will provide other information relating to policies reinsured hereunder as may be requested by FCIC.

9. All payments and reports are subject to post audit by FCIC in accordance with section IV.U.

C. Interest

1. Any interest that FCIC is required to pay the Company under the terms of this Agreement will be paid in accordance with the interest provisions of the Contract Disputes Act (41 U.S.C. 601 *et seq*.).

2. Any interest that the Company is required to pay FCIC under the terms of this Agreement will be paid at the simple interest rate of 15 percent per annum.

3. The Company will repay with interest any amount paid to the Company by FCIC that FCIC or the Company subsequently determines was not due.

4. FCIC will repay with interest any amount paid by the Company to FCIC which FCIC subsequently determines was not due.

D. Forms

The Company must use the forms approved by the Board and the Manager of FCIC.

E. Supplemental Insurance

1. The Company must not sell any contract of insurance or similar instrument that may shift risk to or otherwise increase the risk of any eligible livestock price insurance contract sold or reinsured by FCIC. The Company must submit any contracts of insurance or similar instruments to FCIC for review and approval prior to selling them. FCIC will not reimburse

the Company for any loss occurring on an eligible livestock price insurance contract if the Company sold a contract of insurance that FCIC determines to have shifted risk to or increases the risk of such eligible livestock price insurance contract reinsured under this Agreement, or if the Company administers the contract of insurance in a manner inconsistent with its submission and the FCIC approval.

2. The Company must maintain and make available to FCIC the SSN and EIN and underwriting information pertaining to any contract of insurance written in conjunction with eligible livestock price insurance contracts reinsured under this Agreement, including the contract number of the related eligible livestock price insurance contract.

F. Insurance Operations

1. Plan of Operations

   a. This Agreement becomes effective upon approval of the Company's Plan of Operations by FCIC.

   b. The Plan of Operations must meet the requirements and be in the format as contained in Appendix 2.

   c. The Company may submit a request to amend an approved Plan of Operations at any time to reflect changing business considerations and sales expectations. Such amendments must be in writing and must be approved by FCIC in writing before implementation by the Company. The request will be evaluated following the procedures applicable to a timely filed original plan, except that FCIC will also consider whether FCIC's risk is materially increased by the requested revision to the Plan of Operations. Requests for amendment where FCIC's risk has materially increased will only be considered if FCIC, at its sole discretion, determines that its actions or those of USDA have substantially increased the risk of higher indemnities on eligible livestock price insurance contracts previously written by the Company.

   d. The Plan of Operations is incorporated in this Agreement by reference. Material failure to follow the Plan of Operations may be a basis for FCIC to terminate this Agreement.

   e. To the maximum extent practicable, the Company shall allow eligible producers to use electronic methods to submit information required by the Corporation. The Company must file its plan for providing such electronic service methods with their Plan of Operations.

2. General Operations

a. All eligible livestock price insurance contracts reinsured under this Agreement must be sold by properly trained and licensed agents. Employees, agents, brokers, solicitors, or any other sales representatives of the Company who quote premium rates and coverages or provide other information in the sale of eligible livestock price insurance contracts to current or prospective policyholders must be licensed or certified in crop or livestock price insurance, if available, or in the property and casualty line of insurance if a crop or livestock price insurance license or certification is not available.

b. The Company shall not permit its sales agents, agency employees, sales supervisors, or any spouse or family member residing in the same household as any such sales agent, agency employee, or sales supervisor to be involved in any way with the following activities in any county or adjoining county where the sales agent, agency employee, any competing agency or sales supervisor performs any sales functions:

i. The supervision, control, or adjustment of any loss;

ii. A determination of a claim or cause of loss; or

iii. Verification of livestock production data for the purpose of establishing any insurance coverage or guarantee.

c. The Company shall not permit its claims supervisors or any employee or contractor involved in the determination of the amount or cause of any loss to be involved in any way with the sales of any eligible livestock price insurance contract in any county or adjoining county in which they perform any loss adjustment or claims services.

d. The Company shall not permit its sales agents, the owners or employees of its sales agencies, its sales supervisors, or any spouse or family member residing in the same household as any such person, to be involved in underwriting any eligible livestock price insurance contract written by any such person.

e. Any person employed by the Company for the general supervision of the livestock price insurance program in an area may supervise activities associated with the general administration of the livestock price insurance program in that area, which may include training, servicing, underwriting, and loss adjusting. However, all quality control reviews must be conducted by objective and unbiased persons who were not involved in establishing the guarantee or adjusting the loss, or the sales or supervision of sales for the policies reviewed.

f. The Company must verify all livestock production data and other information used to establish insurance guarantees and indemnity payments in accordance with the procedures approved by FCIC. Guarantees must be verified in accordance with the requirements of the approved Manual 14 and applicable procedures.

g. The Company must use livestock price insurance contracts, standards, procedures, methods, and instructions as issued by FCIC in the sales, service, and loss adjustment of eligible livestock price insurance contracts.

3. Managing General Agents

If the Company will perform its responsibilities under this Agreement through a MGA, the Company must certify to FCIC in the Plan of Operations that such MGA is in full compliance with the laws and regulations of the State in which such MGA is incorporated or, in the absence of such laws and regulations, with the National Association of Insurance Commissioners Model Act governing MGA's.

G. Access to Records and Operations

Upon written request, unless otherwise authorized by the Manager of FCIC, the Company must provide FCIC reasonable access to its offices, personnel (including agents and loss adjusters), and all records that pertain to the business conducted under this Agreement at any time during normal business hours for the purpose of investigation, audit, or examination, including access to records on the operation of the Company. The Company must designate in its Plan of Operations each location where records and documents are retained. Records pertaining to premium or liability must be retained until three years after the January 1, following the end of the respective reinsurance year. FCIC may require, on a case-by-case basis, the Company to retain certain specified records for a longer period if it so notifies the Company in writing at any time before disposal of the record. The Company should be aware that the statute of limitations for bringing a suit for any breach of this Agreement is six years. For the purpose of this section the term "FCIC" includes all U.S. Government agencies including but not limited to the USDA Office of Inspector General, the General Accounting Office, and the Department of Labor.

H. Compliance and Corrective Action

1. The Company must be in compliance with the provisions of this Agreement, the laws and regulations of the United States, the laws and regulations of the States and locales in which the Company is conducting business under this Agreement, unless such State and local laws and regulations are in conflict with this Agreement, and all bulletins, handbooks, instructions,

and procedures of FCIC.

2. The Company must cooperate with FCIC in the review of Company operations.

3. If FCIC finds that the Company has not complied with any provision of this Agreement, and the Company has not taken appropriate steps to correct the reported act of non-compliance, FCIC may, at its discretion, require that the Company take corrective action within 45 days of the date of such written demand. The Company must provide FCIC with satisfactory documentary evidence of the corrective action taken to address the reported act of non-compliance. Failure to timely take the corrective action directed by FCIC is grounds for termination or suspension of this Agreement

4. Whenever an act or omission by the Company materially affects the existence or amount of the indemnity or premium paid (including, but not limited to, incorrect livestock production data; improper adjustment of loss; sales agents or sales supervisors involved in the adjustment of losses; failure to verify eligibility for insurance, insurable interest, insurable causes of loss) and FCIC is:

   a. able to determine the correct amount of indemnity or premium that should have been paid;

      i. FCIC shall require the Company to report to FCIC through the e-DAS system the correct amount of indemnity or premiums; and

      ii. FCIC will require the Company to refund any A&O subsidy that exceeds the amount the Company was entitled to receive.

   b. unable to determine the correct amount of indemnity or premium that should be paid;

      i. reinsurance shall be denied on all such policies, unless the Company provides satisfactory evidence of what such losses or premium should have been; and

      ii. FCIC will require the Company to refund any A&O subsidy that exceeds the amount the Company was entitled to receive.

5. The Company provides valuable program delivery services for which payment is made in the form of A&O subsidy. FCIC and the Company agree that FCIC is damaged by a failure of the Company to provide services or to comply with FCIC requirements and procedures and that the value of such service or failure to comply is difficult to determine because damages are uncertain and the amount of services or failure to comply is difficult to quantify. FCIC and the Company agree that in view of the difficulty of determining the

exact value of each service, the amounts stated below are reasonable estimates of the value of such services.

a. If the Company's loss adjustment performance and practices are not carried out in accordance with this Agreement and FCIC assumes the Company's loss adjustment obligations, the Company shall pay FCIC an amount equal to 10 percent of the net book premium on all eligible livestock price insurance contracts adjusted or readjusted by FCIC.

b. If this Agreement should be terminated for cause, the Company shall pay FCIC the equivalent of 10 percent of the net book premium for all eligible livestock price insurance contracts.

c. In the event of the following failures to comply with the terms and conditions of this Agreement, the Company shall pay FCIC as follows:

   i. For failure to follow approved sales agent training requirements contained in Manual 14, 1 percent of the net book premium for eligible livestock price insurance contracts written by sales agents not trained in accordance with Manual 14 if, for the purposes of this subparagraph only, the number of such sales agents exceeds 5 percent of all sales agents requiring training;

   ii. For failure to follow approved loss adjuster training requirements contained in Manual 14, 1 percent of the net book premium for eligible livestock price insurance contracts adjusted by loss adjusters not trained in accordance with Manual 14 if, for the purposes of this subparagraph only, the number of loss adjusters exceeds 5 percent of the loss adjusters requiring training; and

   iii. For failure to follow approved quality control review requirements in Manual 14, 1 percent of the net book premium for eligible livestock price insurance contracts not reviewed in accordance with Manual 14, but which were required to be reviewed, if the number of reviews not performed exceeds 5 percent of the number required.

d. For failure to follow FCIC approved procedure that materially impacts the existence or amount of the loss, the Company shall pay to FCIC 3 percent of the net book premium of all eligible livestock price insurance contracts for which each failure occurred.

e. The total amount payable under sections IV.H.5.c. and d. may not exceed 4.5 percent of the net book premium on each eligible livestock price insurance contract for which any payment is due FCIC under sections IV.H.5.c. or d.

6. Any payment due from or paid by the Company under this section shall be in addition to and without prejudice to any other rights of FCIC, or the United States, if the deficiency in compliance with terms and conditions of this Agreement result from the Company's violation of criminal or civil false claims statutes.

7. FCIC may, at its sole discretion, waive, reduce or delay repayment.

8. Any amounts due from or paid by the Company under this section shall be paid by the Company to FCIC on the next monthly summary report after a final determination by FCIC. Any payment not timely paid will be subject to provisions of section IV.C.

9. If FCIC collects any amount in accordance with section IV.H.4. or IV.H.5.a. or b., then FCIC will not require the Company to pay any amount under section IV.H.5.d. on the same eligible livestock price insurance contracts.

10. Nothing in this subsection prevents FCIC from collecting any amounts due under this subsection from the Company and suspending or terminating this Agreement.

I. Suspension of Authority

FCIC may suspend the authority of the Company to operate under this Agreement for cause due to a material failure to perform or comply with obligations under this Agreement. If this Agreement is suspended for cause:

1. The suspension will remain in effect until FCIC determines the Company has corrected the failure and has taken steps to prevent its occurrence.

2. While suspended, the Company may not sell any new livestock price insurance contracts under this Agreement. However, if required by FCIC, the Company must service all eligible livestock price insurance contracts in effect at the time of the suspension.

3. If the Company does not properly service existing livestock price insurance contracts as required by section IV.I.2. or has not corrected the failure within 45 days of the date the Company is notified of the suspension, this Agreement will automatically terminate at the end of the reinsurance year.

J. Termination of Authority

1. This Agreement will automatically terminate at the end of the 2004 reinsurance year.

2. FCIC may terminate the authority of the Company to operate under this Agreement at any time for cause due to a material failure to perform or comply with obligations under this Agreement by providing written notice to the Company. If this Agreement is terminated for cause, FCIC will not provide reinsurance for eligible livestock price insurance contracts issued or renewed after the date of the termination. FCIC will provide reinsurance for eligible livestock price insurance contracts in effect as of the date of the termination until policy expiration.

3. FCIC may terminate this Agreement for the convenience of the Government at any time by providing written notice to the Company. If FCIC terminates this Agreement for the convenience of the government, FCIC will not provide reinsurance for any eligible livestock price insurance contract issued or renewed after the date of termination. FCIC will continue to provide A&O subsidy, risk subsidy, and reinsurance to the extent allowed under this Agreement for eligible livestock price insurance contracts in effect as of the date of the termination of this Agreement until the next termination date or end date for the eligible livestock price insurance contract. No additional damages or amounts will accrue to the Company because of such termination.

K. Disputes and Appeals

1. The Company may appeal any actions, finding, or decision of FCIC under this Agreement in accordance with the provisions of 7 C.F.R. 400.169.

2. FCIC shall generally issue a fully documented decision within 90 days of the receipt of a notice of dispute accompanied by all information necessary to render a decision. If a decision cannot be issued within 90 days FCIC will notify the Company within the 90 day period of the reasons why such a decision cannot be issued and when it will be issued.

L. Appropriation Contingency

The payment of obligations of FCIC under this Agreement are contingent upon the availability of appropriations. Notwithstanding any other provision of this Agreement, FCIC's ability to sustain the Agreement depends upon the FCIC's appropriation. If FCIC's appropriation is insufficient to pay the obligations under this Agreement, and FCIC has no other source of funds for such payments, FCIC will reduce its payments to the Company on a pro rata basis or on such other method as determined by FCIC to be fair and equitable.

M. Cut-Through and Preemption of State Law

1. Whenever the Company and its policy issuing company, if applicable, are unable to fulfill

their obligations to any policyholder by reason of a directive or order duly issued by any Department of Insurance, Commissioner of Insurance, or by any court of law having competent jurisdiction, or under similar authority of any jurisdiction to which the Company is subject, all eligible livestock price insurance contracts affected by such directive or order that are in force and subject to this Agreement as of the date of such inability or failure to perform will be immediately transferred to FCIC without further action of the Company by the terms of this Agreement. FCIC will assume all obligations for unpaid losses whether occurring before or after the date of transfer, and the Company must pay FCIC all funds in its possession with respect to all such eligible livestock price insurance contracts transferred including, but not limited to, premiums collected, commodity market instruments purchased, and recoverables from commodity market instruments. The Company hereby assigns to FCIC the right to all uncollected premiums on all such policies. No assessment for any guarantee funds or similar programs may be computed or levied on the Company by any State for or on account of any premiums payable on eligible livestock price insurance contracts reinsured under this Agreement.

2. The provisions of 7 C.F.R. part 400, subpart P pertaining to preemption of State or local laws or regulations are specifically incorporated herein and made a part hereof.

N. Litigation and Assistance

1. The Company's expenses incurred as a result of litigation are covered by the A&O subsidy. FCIC has no obligation to provide any other funds to reimburse the Company for litigation costs.

2. FCIC will also provide indemnification, as authorized by the Act, including costs and reasonable attorney fees incurred by the Company, that result solely from errors or omissions of FCIC.

3. The Company may request FCIC to provide non-monetary assistance, including witnesses, documents, and direction or such other assistance as FCIC deems reasonable. FCIC may, at its option, elect to provide such assistance or it may elect to intervene in any legal action. The Company agrees not to oppose such participation. FCIC will only agree to the Company's request for litigation assistance if the Company:

    a. Immediately notifies FCIC in writing of the requested action setting forth the reasons such action would be in the best interests of FCIC;

    b. Presents all legal arguments favorable to its defense including those suggested by FCIC; and

c. Does not join FCIC as a party to the action unless FCIC agrees in writing to be joined as a party.

4. FCIC will, at its sole discretion, determine if the requested action under this section will be granted. The criteria to determine such action will be whether such action is in the best interest of FCIC and the livestock price insurance program.

O. Suspension and Debarment

Any person or business entity who has been debarred or suspended by FCIC or any other U.S. Government Agency, may not be used by the Company in any manner which involves performance under this Agreement.

P. Member - Delegate

No member of or delegate to Congress nor any resident commissioner will be admitted to any share or part of this Agreement or to any benefit that may arise therefrom, except that this provision will not be construed to apply to a benefit from this Agreement that accrues to a corporation for its general benefit. Members of or delegates to Congress are eligible to purchase a livestock price insurance contract for any livestock in which they have an insurable interest.

Q. Discrimination

The Company must not discriminate against any employee, applicant for employment, insured, or applicant for insurance because of race, color, religion, sex, age, physical handicap, marital status, or national origin.

R. Set Off

1. Funds due from the Company may be set off under the provisions of this Agreement, any other reinsurance agreement with FCIC, or under the provisions of 31 U.S.C. chapter 37.

2. Any amount due the Company under this Agreement is not subject to any lien, attachment, garnishment, or any other similar process prior to that amount being paid under this Agreement, unless such lien, attachment, or garnishment arises under title 26 of the United States Code.

3. Set off as provided in this section will not deprive the Company of any right it might otherwise have to contest the indebtedness involved in the set off action by administrative appeal.

4. In the event a Company fails to pay any amount when due under this Agreement, any further payments to the Company from FCIC under any reinsurance agreement with FCIC will be set off against any amounts due FCIC regardless of reinsurance year until these amounts are paid with appropriate interest.

5. If an assignment has been made pursuant to the provisions of section IV.U. the following provisions will apply with respect to set off. Notwithstanding the assignment, FCIC may set off:

    a. Any amount due FCIC under this Agreement or any other reinsurance agreement with FCIC;

    b. Any amounts for which the Company is indebted to the United States for taxes for which a notice of lien was filed or a notice of levy was served in accordance with the provisions of the Internal Revenue Code of 1954 (26 U.S.C. 6323), or any amendments thereto or modifications thereof, before acknowledgment by FCIC of receipt of the notice of assignment; and

    c. Any amounts, other than amounts specified in paragraphs a. and b. above due to FCIC or any other agency of the United States, if FCIC notified the assignee of such amounts to be set off at or before the time acknowledgment was made of receipt of the notice of assignment.

S. Assignment

No assignment by the Company shall be made of the Agreement, or the rights thereunder, unless the Company assigns the proceeds of the Agreement to a bank, trust company, or other financing institution, including any federal lending agency, or to a person or firm that holds a lien or encumbrance at the time of assignment, and the Company receives the prior approval of FCIC to assign the proceeds of this Agreement to any other person or firm: Provided, That such assignment will be recognized only if and when the assignee thereof files with FCIC a written notice of the assignment together with a signed copy of the instrument of assignment, and, Provided further, That any such assignment must cover all amounts payable and not already paid under the Agreement, shall not be made to more than one party and shall not be subject to further assignment, except that any such assignment may be made to one party as agency or trustee for two or more parties.

T. Liability for Agents and Loss Adjuster

The Company is solely responsible for the conduct and training of its personnel, agents and loss adjusters within the parameters of this Agreement. Liability incurred, to the extent it is caused by agent or loss adjuster error or omission, or failure to follow FCIC approved policy or procedure, is the sole responsibility of the Company. The assumption of responsibility under this section is only for the purpose of this Agreement and may not be relied upon by any person or entity not a party to this Agreement for any purpose. Except as otherwise provided in this Agreement, reinsurance of eligible livestock price insurance contracts may only be denied if there exists a pattern of failure to follow FCIC-approved policies or procedures, or allowance of errors or omissions, or the Company knew or should have known of the failure to follow FCIC-approved policies or procedures, or errors or omissions, and failed to take appropriate action to correct the situation.

U. Performance Audit

Notwithstanding any other provision hereunder, FCIC must notify the Company that the Company may be responsible for an error, omission, or failure to follow FCIC approved policy or procedures; and that a debt may be owed; within three years of the end of the insurance period during which the error, omission, or failure is alleged to have occurred. The failure to provide timely notice required herein shall only relieve the Company from liability for the alleged debt owed. Three years after the January 1 following end of the reinsurance year, such reinsurance year shall be deemed finally closed unless there are claims still under investigation or in litigation, including administrative proceedings, or arbitration. Such time frames will not be applicable to errors, omissions or procedural violations that are willful or intentional.

V. Resolution of Disagreements

If the Company disagrees with an act or omission of FCIC, except those acts implemented through the rulemaking process, the Company shall provide written notice of such disagreement to the Manager of FCIC. Within 10 business days of receipt of notice, the Manager or a designee will schedule a meeting with the company in an attempt to resolve the disagreement. Notwithstanding any other provision in this section, any subsequent decision by FCIC on the act or omission will be final in the administrative process and, therefore subject only to review by the Board of Contract Appeals in a matter relating to this Agreement or to judicial review. Nothing herein excuses the Company's performance under this Agreement during the attempted resolution of the dispute or constitutes a waiver of the Company’s right to any remedy authorized by law.

SECTION V. Certification

The undersigned acknowledges that the Company’s Board of Directors has authorized the Company to enter into this Agreement and the Plan of Operations. The undersigned acknowledges any misrepresentation in the submission of this Agreement and information contained in the Plan of Operations may result in civil or criminal liability against the undersigned or their representatives.

APPROVED AND ACCEPTED FOR

THE FEDERAL CROP INSURANCE CORPORATION	THE COMPANY
______________________ Signature	______________________ Signature
______________________ Name	______________________ Name
______________________ Title	______________________ Title
______________________ Date	______________________ Date