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Department of
Agriculture

Federal Crop
Insurance
Corporation



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MANUAL 14

Guidelines and Expectations for Delivery of the Federal Crop Insurance Program

**GUIDELINES AND EXPECTATIONS FOR DELIVERY OF
THE FEDERAL CROP INSURANCE PROGRAM
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FEDERAL CROP INSURANCE CORPORATION
WASHINGTON, D.C. 20250

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|--|---|----------------------|
| FEDERAL CROP INSURANCE HANDBOOK | | NUMBER: 14010 |
| SUBJECT: GUIDELINES AND EXPECTATIONS FOR DELIVERY OF THE FEDERAL CROP INSURANCE PROGRAM | DATE: September 29, 1997 | |
| | OPI: Deputy Administrator for Insurance Services | |
| | APPROVED: Deputy Administrator, Insurance Services | |

1 HANDBOOK PURPOSE

The handbook establishes the minimum training and quality control review procedures and performance standards required of all insurance providers in the delivery of any policy insured or reinsured under the Federal Crop Insurance Act, as amended.

2 IMPLEMENTATION

- A Effective date. The FCIC 14010 Guidelines and Expectations For Delivery of Multiple Peril Crop Insurance becomes effective for the 1998 reinsurance year.
- B Replacement. This FCIC 14010 replaces and supersedes FCIC 14010 dated July 22, 1994.

3 GOALS

The goal of FCIC 14010 is to convey the expectations for the delivery of crop insurance through insurance providers by:

- A Improved communication of FCIC expectations to all insurance providers.
- B Increased program efficiency for all insurance providers.
- C Development and maintenance of ethical and knowledgeable employees, contractors, sales agents and loss adjusters.

4 OBJECTIVES

- A Convey minimum training guidelines and expectations for insurance providers and their sales agents and loss adjusters.

- B Outline minimum guidelines insurance providers will employ to assure an effective quality control (self-audit) program.
- C Convey the program performance standards used by FCIC to measure the compliance and effectiveness of contract fulfillment by insurance providers delivering policies reinsured under the Act.

5 DEFINITIONS

- A Act means the Federal Crop Insurance Act, as amended (7 U.S.C. 1501 et seq.).
- B Catastrophic risk protection (CAT) means an eligible crop insurance contract that provides the lowest level of coverage authorized by the Act.
- C FCIC means the Federal Crop Insurance Corporation, a government Corporation empowered to carry out all actions and programs authorized by the Act.
- D Field Review means a visit to the farm operation for the purpose of making program findings. The following are examples, but are not limited to the verification of adequate records, determination of irrigated practice or other practice is being carried out, the crop has been replanted, to evaluate a loss adjuster or circumstances of a loss.
- E File Review means the review of documents contained in an insured's file folder verifying that the information has been properly entered thereon and that supporting documents, including actuarial material have been properly used in document completion.
- F FSA means Farm Service Agency.
- G Field Inspections include field determinations for preliminary and final loss adjustment, late filed applications and acreage reports, preharvest or growing season inspection, and preacceptance inspections. Inspection means an evaluation of the condition of an insured crop for the purpose of determining the possibility of replant payments, growing season growth progression, acceptance of late-filed applications and acreage reports, and preliminary or final claim adjustments.
- H Insurance provider means any company approved by the Federal Crop Insurance Corporation to conduct sales and service of policies reinsured under the Standard Reinsurance Agreement (SRA).
- I Loss adjuster means an experienced loss adjuster who has previously adjusted claims for losses and signed the claim materials with the insured on a policy reinsured under the SRA who has completed 1 calendar year of loss adjustment and has completed all training requirements.

- J New loss adjuster means a loss adjuster who has not previously adjusted claims for losses and signed the claim materials with the insured who has not completed 1 full calendar year of loss adjustment or has not completed all training requirements.
- K New sales agent means a person, licensed by the State in which the new sales agent does business under contract with an insurance provider, its managing general agent or any other entity to sell and service eligible crop insurance contracts, who has not previously sold or serviced a policy reinsured under the SRA, who has not completed 1 full calendar year of sales and service and has not completed all training requirements.
- L Open claim audit means a field review prior to final payment of a loss which has had a final inspection.
- M Review means the examination of information or data recorded on documents submitted to establish the premium, liability, indemnity or any other information which is necessary to determine whether the crop insurance contract constitutes an "eligible crop insurance contract" as defined in the SRA. At a minimum, the review process entails the verification of the information or data through independent source materials (i.e., actuarial, production and acreage records, FCIC approved procedures, etc.).
- N Sales agent means a person, licensed by the State in which the sales agent does business under contract with an insurance provider, its managing general agent or any other entity to sell and service eligible crop insurance contracts, who has previously sold or serviced a policy reinsured under the SRA, who has completed 1 full calendar year of sales and service and has completed all training requirements.
- O SRA means the Standard Reinsurance Agreement - see definition of Agreement in the SRA.

6 TRAINING OF SALES AGENTS, LOSS ADJUSTERS, AND OTHER PERSONNEL

A INSURANCE PROVIDER RESPONSIBILITIES

- (1) Identify training needs and provide necessary training of the employees, sales agents, and loss adjusters to assure that FCIC approved procedures and contract provisions are followed. Training is to be achieved in a timely manner so that program delivery, participation, and operation will not be adversely affected.
- (2) Maintain all training materials and attendance records to enable FCIC or other interested parties to verify and evaluate the training program. All training materials and attendance records are to be retained and available upon FCIC's formal request.
- (3) Maintain and retain a record of dates, hours, type of training received, and test scores for all sales agents and loss adjusters in accordance with Section V.H. of the Standard Reinsurance Agreement. This data must be stored electronically or by hard copy in order to adequately evaluate the historical performance of such persons.

B SALES TRAINING OBJECTIVES

To achieve an effective and knowledgeable sales force, sales training shall accomplish the following objectives:

- (1) Assure that sales agents are capable of adequately informing the insured of the terms, conditions and requirements of the applicable basic or general policy provisions, crop endorsements special provisions and all other applicable options or endorsements that may be specific to the insurance contract.
- (2) Communicate changes and modifications in FCIC approved policies and procedure to employees and sales agents.
- (3) Communicate the necessary information to assure that all applicable sales documents, certification reports and production information reports are complete, accurate, and submitted timely.

C SALES AGENT TRAINING CURRICULAR REQUIREMENTS

For new sales agents, the minimum subject requirements will include all of the following and for experienced sales agents, updates on the following only as needed:

- (1) General (basic and applicable crop) policy provisions.
- (2) Endorsements, special policy provisions and options, for those crops sales agents intend to write.
- (3) Applicable crop programs (i.e., Actual Production History, Group Risk Plan, Revenue Insurance plans, pilot programs, etc.
- (4) Policy and procedure modifications and/or changes.
- (5) Review of actuarial documents and their usage.
- (6) Forms and other materials used in sales and service activities including their completion and distribution.
- (7) Sales, acreage reporting, procedures and regulations governing all other program operations and determinations, eligible entities, share arrangements and guarantees.
- (8) Benefits of available risk management products.

D SALES AGENT TRAINING GUIDELINES

- (1) New sales agents must participate in a structured training program of at least 12 hours which is specifically related to available risk management products.

Additionally, at the end of such structured training new sales agents must complete the basic competency test and all results must be maintained by each insurance provider. Basic competency tests must specifically relate to FCIC approved crop insurance policy and procedure and be available upon request. Additionally, insurance providers must review the test results and document follow-up training initiatives for any area of identified weakness on the part of any one or more new sales agents. Training agenda and attendance records must be retained and available upon request.

- (2) After the first year of sales experience, sales agents must annually complete at least 3 hours of structured training, on updates specifically related to crop insurance and all areas specified above that are identified by FCIC or the insurance provider as deficient during the quality control reviews or processing of the sales related documents. Agenda, attendance records and/or documentation of on-site training must be retained and available upon request.
- (3) At least one-third of all sales agents will pass the basic competency test by January 1, 1999, with all sales agents passing the basic competency test by January 1, 2000, and every 3 calendar years thereafter.
- (4) Insurance providers must obtain and have available upon request, documentation for any sales agent that has passed the basic competency test within the past 3 years with another insurance provider, to fulfill the requirements of this paragraph.

E LOSS ADJUSTMENT TRAINING OBJECTIVES

To achieve an effective and knowledgeable loss adjustment workforce, training is to accomplish the following objectives:

- (1) Communicate the necessary information to assure that all applicable loss documents and certification reports of acreage and production are verified to be accurate and complete.
- (2) Assure that loss adjusters are knowledgeable of the terms, conditions, and requirements of the general policy provisions, crop endorsements specific to the contract, and applicable loss adjustment procedures.
- (3) Communicate changes and modifications in FCIC-approved policies and procedures to loss adjusters and their supervisors.
- (4) Document loss adjuster participation in training sessions through attendance records for training sessions.

F LOSS ADJUSTER TRAINING CURRICULAR REQUIREMENTS

For new loss adjusters, the minimum subject requirements to be included in the curriculum will include all of the following and for experienced loss adjusters, updates on the following as required:

- (1) General (basic and applicable crop) policy provisions.
- (2) Endorsements, special policy provisions and options, for those crops the loss adjuster will be adjusting.
- (3) Applicable crop programs (i.e., actual production history (APH), revenue insurance plans, pilot programs, etc.
- (4) Policy and procedure modifications and/or changes.
- (5) Forms and other materials used in completing and documenting loss adjustment and service functions.
- (6) Loss adjustment and crop handbooks, and all other procedures involving verification of policyholder certifications including share, entity and acreage and loss adjuster's determinations of appraised, harvested and stored production, acreage, unit structure, documenting uninsured causes of loss, rotation requirements, poor farming practices, crop appraisal methods, sampling grain for quality adjustment, dockage, etc.

G LOSS ADJUSTER TRAINING GUIDELINES

- (1) Annual training must be completed by all loss adjusters. New loss adjusters must participate in at least 60 hours (including at least 24 hours of classroom training) of structured training which is specifically related to available risk management products. Additionally, at the end of such structured training new loss adjusters must complete a basic competency test and all results must be maintained by each insurance provider. Basic competency tests must specifically relate to FCIC approved crop insurance policy and procedure and be available upon request.

Additionally, insurance providers must review the test results and document follow-up training initiatives for any area of identified weakness on the part of any one or more new loss adjusters. Training agenda and attendance records must be retained and available upon request.

- (2) After the first year of loss adjustment experience, loss adjusters must annually complete at least 18 hours (including at least 6 hours of classroom training) of structured training, on updates specifically related to crop insurance and all areas specified above that are identified by FCIC or the insurance provider as deficient during the quality control reviews or processing of the loss related documents. Agenda, attendance records and/or documentation of on-site training must be retained

and available upon request; and

- (3) At least one-third of all loss adjusters will pass a basic competency test by January 1, 1999, with all loss adjusters passing the basic competency test by January 1, 2000, and every 3 calendar years thereafter.
- (4) Insurance providers must obtain, and have available upon request, documentation for any loss adjuster that has passed the basic competency test within the past 3 years with another insurance provider, to fulfill the requirements of this paragraph.

7 QUALITY CONTROL GUIDELINES

A INSURANCE PROVIDER RESPONSIBILITIES

The insurance provider will provide oversight to properly underwrite the Federal crop insurance program and assure that the Federal crop insurance program is being administered in accordance with the Agreement, the Act, and FCIC approved policies and procedures. The quality control reviews will provide assurances that procedures, systems, and programs are effective and adequate and will be used to expose intentional program abuse and to identify discrepancies, inconsistencies, or errors. The quality control program is also a means to identify the need for enhancing existing or developing additional internal controls, training programs and/or implementing the necessary corrective actions, if required.

- (1) 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 in the sales or supervision of sales for the policies reviewed.
- (2) Verify that all information provided by the policyholder, sales agent, and loss adjuster is true and accurate through whatever means are necessary, including, but not limited to, interviews, field inspections, file reviews, production records from third parties, etc.
- (3) Verify that all information was provided timely.
- (4) Verify the crop insurance contract constitutes an eligible crop insurance contract as defined in the SRA.
- (5) Correct ALL monetary or actual production history discrepancies which exceed the FCIC approved tolerances and timely process such corrections to reconcile monthly accounting and statistical reports to reflect corrections.
- (6) Implement administrative procedures to resolve and correct errors and assure accurate premium and loss determinations.
- (7) Maintain loss files containing adequate supporting documentation, loss adjuster reports or any other necessary evidence to support claim payments or denial of claim payments.

- (8) In the case of suspected fraud, waste or abuse, notify FCIC in accordance with Paragraph 8.
- (9) Establish and document a process to respond to policyholder complaints received directly from the public, state insurance departments, or complaints referred to the insurance provider by FCIC or by the insurance provider to FCIC.
- (10) Refer to the LAM FCIC 25010 for information regarding companion crop insurance contracts in force for other persons sharing in the crop.
- (11) Retain all documents obtained in the course of the reviews conducted and all completed forms in accordance with Section V.H. of the Standard Reinsurance Agreement.
- (12) Provide an outline of the plan the company will utilize in carrying out its quality control program with the plan of operation. The quality control plan must include:
 - (a) The names and titles of all persons who will have oversight responsibilities for the reviews required under this section.
 - (b) The methodology (i.e., random sampling, FCIC designated, discretionary, etc.) involved in selecting the crop insurance contracts for the various reviews required and the time period when such crop insurance contracts will be selected for each review.
 - (c) A description of the process to be followed by the reviewers for conducting each of the reviews required under this section.
- (13) Prepare an annual summary report detailing the results of each review category required. The written summary will include, at a minimum, the requirements outlined below and will be forwarded by April 30 following each crop year (first report will be due April 30, 1999) to the:

Deputy Administrator for Compliance
 Risk Management Agency
 14th & Independence Avenue SW
 Washington, DC 20250
- (14) In the annual written summary report, submitted to FCIC, the insurance provider will separately:
 - (a) Identify by contract number, crop, the name and title of the person who conducted the review for the respective crop insurance contract, the date the review was completed, and the type of review conducted, which did not have any discrepancies or incorrect information detected.

- (b) Identify by contract number, crop, the name and title of the person who conducted the review for the respective crop insurance contract, the date the review was completed and the type of review conducted, which had discrepancies or incorrect information, the type of discrepancy or incorrect information detected, and the monetary effect or the effect on the APH.
- (15) At the request of FCIC, provide copies of documentation completed by the reviewers for any of the reviews required under this section.

B FCIC RESPONSIBILITIES

- (1) FCIC will evaluate the insurance provider's annual written summary reports to assess its compliance with the SRA. Upon completing its evaluation, FCIC will issue an overall report of all insurance providers' compliance with the SRA and will identify any areas needing attention by insurance providers.
- (2) FCIC will conduct periodic compliance evaluations of the insurance provider's quality control programs to assess the effectiveness of the systems and the accuracy of the insurance provider's conclusions with regard to the quality control reviews conducted under this section.
- (3) Based upon its assessment of the quality control reviews completed by the insurance provider, FCIC in consultation with the insurance provider may determine that additional quality control reviews or additional training for agents, loss adjusters, underwriters, contractors, or any employee be conducted for the current or subsequent crop year.
- (4) Make recommendations to the appropriate FCIC Division and the insurance provider relative to FCIC program improvements identified as a result of the completed reviews.

C GENERAL REVIEW REQUIREMENTS

- (1) Program Implementation.
 - (a) The four general review categories that must be included in the insurance providers quality control program are as follows: Proficiency Evaluations, Compliance Crop Insurance Contract Reviews, Underwriting Reviews, and Claims Reviews.
 - (b) The different types of reviews that may be combined and conducted simultaneously to maximize efforts and reduce expenses are contained in Exhibit 1. However, the insurance provider must ensure that, when combining the reviews, all individual review guidelines for the respective reviews are satisfied.

- (c) Reviews not requiring field inspections may be accomplished as file reviews in the office as the documents are processed. However, the insurance provider must assure that the process constitutes a "review" as defined herein and satisfies the minimum review guidelines for the respective review. When data or reported information cannot be confirmed without a field inspection, a field inspection is mandatory.
- (2) Proficiency Evaluations
- (a) The insurance provider must conduct an annual evaluation and assessment of the new agent's proficiency. The evaluation will be completed via an on-site inspection at the agent's office and a file review of two unrelated crop insurance contracts serviced by the new agent. That is, the crop insurance contract used to assess the agent's proficiency must not be a companion contract to the crop insurance contract previously used to evaluate the agent. The proficiency reviews must be documented and retained.
 - (b) For the file reviews, the insurance provider must, at a minimum, evaluate the new agent's competency in accurately preparing and completing the:
 - (i) Application;
 - (ii) APH certification including production and yield report;
 - (iii) Acreage report; and
 - (iv) Any other sales-related documents (i.e., written agreement, transfer/cancellation of coverage, hail exclusion, etc.) present in the crop insurance contracts selected for review.
 - (c) For the on-site inspections of new sales agents, the insurance provider must, at a minimum, assure:
 - (i) The new sales agent properly maintains the crop insurance contract files;
 - (ii) The new sales agent has the required materials (i.e., actuarial documents, policies, forms, procedures, etc.) necessary to service the policyholders; and
 - (iii) The new sales agent has a general understanding of the crop insurance programs available, as modified.
 - (d) For all other sales agents, the insurance provider is not required to conduct annual proficiency evaluations. The insurance provider must, however, ensure the sales agents possess the skills necessary to properly sell and service the crop insurance programs available.
 - (e) For loss adjusters, the insurance provider must conduct a minimum of the two proficiency evaluations, on unrelated crop insurance contracts, of all loss adjusters on annual basis. That is, the crop insurance contract used to assess the loss adjuster's proficiency must not be a companion contract to the crop

insurance contract previously used to evaluate the loss adjuster. The reviews must be documented and retained. For all loss adjusters, the insurance provider must conduct a minimum of two field inspections to assess and evaluate the loss adjuster's proficiency. At a minimum, the proficiency reviews will include:

- (i) The loss adjuster's proficiency in accurately preparing and completing the following as applicable:
 - Appraisal worksheet;
 - Production worksheet;
 - Proof of loss;
 - Revised acreage report;
 - Loss adjuster's special report; and
 - Any other claims-related documents present in the crop insurance contracts selected for review.
 - (ii) The loss adjuster's proficiency in verifying the policyholder's certifications for acreage, share, practice and unit structure, and the loss adjuster's proficiency in determining acreage, harvested production, appraised production, practice, and unit structure.
- (3) Compliance Crop Insurance Contract Reviews
- (a) The insurance provider must conduct compliance reviews of a selected number of policies to determine whether all FCIC procedures were followed by the sales agents and loss adjusters in the sales and services of these policies. FCIC will furnish each insurance provider by February 1st after each crop year with a list of not less than 50 indemnified crop insurance contracts for review under this category. Exhibit 2, Table 1 identifies the number of crop insurance contracts to be selected for evaluation.
 - (b) The crop insurance contracts will be randomly selected from the Producer Contract Experience Detail (EXPER) database maintained by the National Computer Center in Kansas City, Missouri.
 - (c) FCIC will spot check the completed reviews to determine the accuracy of the insurance provider's conclusions and respond to the insurance provider as to the appropriateness of its corrective actions.
 - (d) For the crop insurance contracts FCIC determines that the insurance provider failed to take the appropriate actions, FCIC will follow the established procedures and may, in consultation with the insurance provider, expand the scope of the spot checks.
 - (e) Review Guidelines

The insurance provider must review the policyholder's documents to verify the accuracy of the information reported by the policyholder, the determinations of

the agent and loss adjuster, and the processing of the documents. In addition, the insurance provider must verify the accuracy of the information reported to FCIC. The insurance provider must also ensure that the crop insurance contract(s) constitutes an “eligible crop insurance contract” as defined in the Agreement. The insurance provider will at least review the following, if applicable, for each crop insurance contract selected:

- (i) Application (for new policies);
- (ii) Acreage report;
- (iii) APH certification, following APH review procedures, including the Production and yield report;
- (iv) Schedule of insurance (summary of coverage);
- (v) Claims Materials and all supporting production evidence including but not limited to Production worksheets, Appraisal worksheets, production evidence (settlement sheets), Acreage records; and
- (vi) Any other related documents applicable to the crop insurance contracts selected for review.

(4) Underwriting Reviews

The insurance provider must conduct the following annual reviews in accordance with the minimum guidelines and document the results. The insurance provider must describe the selection methodology used to assure the minimum crop insurance contracts are subjected to the reviews. The requirements for the reviews referenced below may be satisfied through other reviews required under this section. The insurance provider must, however, ensure that the minimum review requirements for the respective reviews are satisfied.

- (a) Irrigated practice field inspections. The insurance provider will randomly select 5 percent of all crop insurance contracts with irrigated practices for field inspection in areas where water inadequacies are suspected. Determination guidelines are prescribed in the Crop Insurance Handbook (FCIC CIH 18010). Additional information regarding irrigated practices is also contained in the Loss Adjustment Manual (FCIC 25010).
- (b) APH tolerance reviews. The insurance provider must conduct APH tolerance reviews for all Category B and C crop insurance contracts with any unit having a newly certified yield equal to or greater than 150 percent of the prior years’ approved APH yield, if the database contains 3 or more years of actual records, for the crop year certified. The insurance provider must select a minimum of 5 percent of the crop insurance units meeting this criteria. The insurance provider must follow the production, yield and unit determinations and tolerances as prescribed in FCIC CIH 18010. At a minimum, the insurance provider will adhere to the following review guidelines:
 - (i) Production reports and yields certified will be reviewed on a crop basis;
 - (ii) All units for each crop year wherein the actual yields were certified for the

selected crop must be reviewed. For example, if the policyholder certified actual yields for the 2 most recent crop years on the current production report, all units for both years will be reviewed;

- (iii) Acceptable records, as defined in FCIC approved procedures, will be compared to the production report for each crop year certified by unit, practice, type, and variety to determine the accuracy of the certified yields and the established unit structures;
 - (iv) If the supporting records furnished are questionable, the insurance provider will be required to visit other information sources such as grain dealers, processors, and first handlers of the commodity to verify the validity of the certifications;
 - (v) Verify the policyholder's status as a new producer, as defined under FCIC CIH 18010;
 - (vi) Revised production reports will be prepared when the calculated yield varies by more than allowable tolerances. Approved APH tolerances and the procedures for correcting APH errors and erroneous yield certifications are contained in the FCIC CIH 18010; and
 - (vii) Correct any incorrect transitional yield.
- (c) Acreage report field inspections. The insurance provider must conduct annual field inspections for a percentage of its crop insurance contracts to verify the accuracy of the information certified on the acreage reports. Exhibit 2, Table 2 establishes the minimum number of crop insurance contracts to be evaluated under this classification. The reviews of the crop insurance contracts selected by the insurance provider will be conducted in addition to those assigned by FCIC.
- (d) Pre-acceptance field inspections. The insurance provider must conduct the field inspections of crop insurance contracts meeting the established criteria as prescribed in FCIC CIH 18010. During review, the insurance provider must follow the minimum guidelines prescribed in the cited references. At a minimum, the insurance provider is to conduct mandatory field inspections for:
- (i) A minimum of 10 percent of the crop insurance contracts which meet the established criteria for yield variances, a break in continuity of records certified, request for a yield greater than the average yield, known tree or vine damage, affirmative responses to questions 22 and 23 on the pre-acceptance worksheet, or a negative response to question 24 on the worksheet;
 - (ii) All nursery crops if the nursery crop insurance guidelines are exceeded;
 - (iii) A minimum of 5 percent of all policyholder certified pre-acceptance worksheets; and
 - (iv) All crop insurance contracts insuring sugar beets wherein the application is signed after the acreage is planted.

(5) Claims Reviews

The insurance provider must conduct the annual claims reviews in accordance with the minimum guidelines of this section. The insurance provider must describe the selection methodology used to assure the minimum crop insurance contracts are subjected to the reviews. At a minimum, the insurance provider must verify the accuracy of the information certified on the acreage report and all claims related documents.

The requirements for the reviews referenced below may be satisfied through other reviews required under this section. The insurance provider must, however, ensure that the minimum review requirements for the respective reviews are satisfied.

- (a) Preharvest and growing season field inspections (Mandatory). The insurance provider must conduct field inspections on crop insurance contracts meeting the below cited criteria. Also the insurance provider must complete an appraisal worksheet to document the condition of the crop.
 - (i) A minimum of 10 percent of policyholders who have experienced crop losses in 3 of the 5 last crop years where the paid indemnity was equal to or greater than \$10,000 in each of the 3 years with the same insurance provider;
 - (ii) Suspicion of fraud or misrepresentation; and
 - (iii) Knowledge of uninsured causes of loss.
- (b) Conflict of interest field reviews (Mandatory). The insurance provider must conduct field reviews for all crop insurance contract claims of individuals directly associated with the Federal crop insurance program (i.e., agency owner, agent, loss adjuster, FCIC employee, insurance provider employee or contractor).
- (c) Crop claims of \$100,000 (Mandatory). The insurance provider must conduct field reviews for all crop insurance contracts with a crop claim equal to or greater than \$100,000. The insurance provider will assign a loss adjuster, not previously associated with the initial claims determinations, for verification of all information used to establish the indemnity (i.e., acreage, production to count, share, etc.).
- (d) FCIC program field reviews (Mandatory). The insurance provider must conduct field reviews for all crop insurance contracts affected by the below referenced claims concepts.
 - (i) Simplified claims processing. A minimum of 15 percent of all units wherein the insurance provider completed the activities in accordance with this claims procedure.
 - (ii) Self Certified Replant Claims (refer to the Loss Adjustment Manual (FCIC 25010 LAM)).

- (iii) Prevented planting claims. The insurance provider must conduct field inspections for a minimum of 3 percent of all crop insurance contracts with prevented planting claims. (Refer to FCIC 25010 LAM Section 188).

- (e) Random claims field reviews (Mandatory). The insurance provider must conduct annual field reviews for a percentage of its indemnified crop insurance contracts. Exhibit 2, Table 3 establishes the minimum number of crop insurance contracts to be evaluated for each of the indemnity ranges.

- (f) Insurance provider discretionary reviews. At its discretion, the insurance provider may conduct additional claims reviews of crop insurance contracts based on the following indicators:
 - (i) Losses which are inconsistent with other losses in the area;
 - (ii) Reported cause of loss not a peril which normally occurs in the area; or
 - (iii) Any other situation where the information provided to the adjuster appears to be inconsistent with the factual information and cannot be reconciled with third party information.

8 REPORTING SUSPECTED MISREPRESENTATION, FRAUD, WASTE, AND ABUSE

A INSURANCE PROVIDER RESPONSIBILITIES

- (1) The insurance provider must, in all cases, immediately review and document all cases where the company reasonably suspects misrepresentation, fraud, waste or abuse based on evidence such as losses, production or yields that deviate significantly from other producers in the area, unverifiable harvested production, personal knowledge that contradicts any information provided by the policyholder or any other person who provides information with respect to the crop insurance contract.

- (2) In all cases where there is evidence to support a finding of misrepresentation, fraud or waste and abuse, such cases, including all information and documents in the possession of the insurance provider, must be forwarded to the appropriate FCIC compliance office. The FCIC compliance field offices and their addresses, telephone numbers and respective areas of responsibility can be found in FCIC CIH 18010.

- (3) If the insurance provider's review does not find adequate evidence to support a conclusion that a misrepresentation, fraud or waste and abuse has occurred, the insurance provider must maintain all documents relating to the complaint and any actions taken in accordance with Section V.H. of the Standard Reinsurance Agreement.

- (4) The insurance provider must conduct a quality control review in the crop year immediately following the year in which the suspected wrongdoing occurred.

B FCIC RESPONSIBILITIES

- (1) The FCIC compliance field office will immediately forward a letter to the insurance provider acknowledging receipt of the information and relate any other information, as applicable.
- (2) In cases of actual or suspected fraud, FCIC will refer the information to the OIG for action.
- (3) The FCIC compliance field office will notify the insurance provider of the actions deemed necessary by the OIG.
- (4) If the OIG declines investigation, the FCIC compliance field office will pursue the matter in accordance with FCIC approved procedures. The FCIC compliance field office will notify the referring insurance provider of the actions taken.

**EXHIBIT 1
POSSIBLE PROGRAM COMBINATIONS***

| Required Activities | May Be Accomplished Via Structural Training New Agents Loss Adjusters | Proficiency Evaluations New Agents Loss Adjusters | Compliance Crop Insurance Contract Reviews | Underwriting Reviews Irrigated Practice APH Tolerance Acreage Report Pre-Acceptance | Claims Reviews Preharvest/Growing Season Conflict of Interest Crop Claims of \$100,000 FCIC Programs Random Claims Insurance Provider Discretionary |
|---|--|---|--|---|---|
| Structural Training New Agents Loss Adjusters | | X X | | | X X X X X X |
| Proficiency Evaluations New Agents Loss Adjusters | X X | | X | | X X X X X X |
| Compliance Crop Insurance Contract Reviews | | | | | |
| Underwriting Reviews Irrigated Practices APH Tolerance Acreage Report Pre-Acceptance | | | X | X X X | |
| Claims Reviews Preharvest/Growing Season Conflict of Interest Crop Claims of \$100,000 FCIC Programs Random Claims Insurance Provider Discretionary | X X X X X | X X X | | | |

***SEE NOTES ON THE FOLLOWING PAGE.**

EXHIBIT 1

NOTES FOR COMBINING PROGRAM REQUIREMENTS

1. The table outlining possible program combinations is not all inclusive of the likely review combinations.
2. The insurance provider is responsible for ensuring that the reviews satisfy the minimum review guidelines set forth in the applicable sections of FCIC 14010.
3. Several of the program guidelines require both a file review and a field inspection. When combining the programs, the insurance provider is responsible for ensuring that both the file reviews and the field inspections are conducted, when required.

EXHIBIT 2

**TABLE 1 - COMPLIANCE CROP INSURANCE CONTRACT REVIEWS
FCIC SELECTION CRITERIA**

**CONTRACTS EARNING PREMIUM
FCIC SELECTION**

| | |
|-------------------|-----|
| <10,000 | 50 |
| 10,000 to 40,000 | 75 |
| 40,001 to 80,000 | 100 |
| 80,001 to 150,000 | 125 |
| >150,000 | 150 |

**TABLE 2 - ACREAGE REPORT FIELD INSPECTIONS (UNDERWRITING REVIEWS)
INSURANCE PROVIDER SELECTION CRITERIA**

**CONTRACTS IN FORCE*
THEN SELECT**

| | |
|--------------------|-----|
| <15,000 | 100 |
| 15,000 to 50,000 | 125 |
| 50,001 to 100,000 | 150 |
| 100,001 to 150,000 | 175 |
| >150,000 | 200 |

*Includes crop insurance contracts not earning premium with a zero acreage report on file.

** CROP CATEGORIES AND TOLERANCES are contained in the FCIC CIH 18010.

**TABLE 3 - RANDOM CLAIMS FIELD INSPECTIONS (CLAIMS REVIEWS)
INSURANCE PROVIDER SELECTION CRITERIA**

**CONTRACT INDEMNITY AMOUNT
THEN SELECT**

| | |
|----------------------|----|
| \$5,000 to \$10,000 | 35 |
| \$10,001 to \$19,999 | 35 |
| \$20,000 to \$30,000 | 35 |

**NOTE: TABLE 1 AND TABLE 2 ARE NOT PROGRESSIVE. THE MAXIMUM NUMBER OF REVIEWS
REQUIRED FOR ANY ONE INSURANCE PROVIDER IN TABLE 1 IS 150 AND IN TABLE 2 IS 200.**