



United States
Department of
Agriculture

Risk
Management
Agency

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March 9, 2006

INFORMATIONAL MEMORANDUM

TO: All Reinsured Companies
All Risk Management Agency Field Offices
All Other Interested Parties

FROM: Craig A. Witt, Director /s/ *Craig A. Witt*
Reinsurance Services Division

SUBJECT: Guidelines Regarding Premium Reduction Plan Advertising

Background

RMA published an interim rule establishing procedures for premium reduction plans (PRP) on July 20, 2005, that amended 7 C.F.R. part 400 subpart V, applicable for the 2006 and succeeding reinsurance years. Section 400.715 establishes limitations and prohibitions of PRPs, including the use of permissible advertising. On December 1, 2005, RMA published Managers Bulletin MGR-05-023 that established guidelines that agents must follow in disclosing the PRP eligibility of the insurance providers they represent. That bulletin specified what agents of insurance providers must disclose to producers but did not address the limitations that agents or insurance providers are bound by in advertising PRP.

Insurance providers and other interested parties have inquired regarding permissible advertising of PRP under sections 400.715(e) and (f). This informational memorandum only clarifies what RMA considers permissible and prohibited PRP advertising under sections 400.715(e) and (f). This bulletin does not amend, revise or otherwise change the requirements of sections 400.715(e) and (f).

Action

1. An insurance provider (and its affiliates) that has not been determined to be eligible for the opportunity to offer a premium discount by RMA in writing may not advertise or otherwise communicate to any producer the availability or potential availability of a premium discount.
2. An insurance provider (and its affiliates) that has been determined by RMA in writing to be eligible for the opportunity to offer a premium discount but has not previously paid a premium discount under section 508(e)(3) of the Federal Crop Insurance Act (Act) can only advertise or otherwise communicate to producers that “[Insert insurance provider name] has been determined to be eligible for the opportunity to offer a premium discount” and it must be accompanied by the disclaimer required by 7 C.F.R. § 400.715(f). Any communication



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And Oversees All Programs Authorized Under
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or advertisement that states more than this simple statement and the disclaimers otherwise required by 7 C.F.R. § 400.715(f), as clarified herein, and other applicable laws is prohibited.

3. The content of any PRP advertisement or communication by a PRP-eligible insurance provider (and its affiliates) that has been determined by RMA in writing to be eligible for the opportunity to offer a premium discount and has previously paid a premium discount under section 508(e)(3) of the Act is restricted to advertising or communicating in a format that only contains one of the following, which must be accompanied by the disclaimer required by 7 C.F.R. § 400.715(f):

a. The dollar amount of premium reductions paid in each state for every reinsurance year the insurance provider paid a premium discount. For example:

Iowa	Total premium discount paid
2003	\$ 617,400
2004	\$ 829,325
2005	\$1,267,000

b. If the insurance provider elects to show the history of premium reductions as a percentage of net book premium, the insurance provider must include the percentage for each applicable coverage level for each reinsurance year a premium discount is paid. For example:

Iowa	Coverage level	Percentage discount to policyholders from reduction in net book premium
2003	50%	10%
	55%	9%
	60%	8%
	70%	7%
	75%	6%
	80%	5%
	85%	4%
2004	50%	10%
	55%	9%
	60%	8%
	70%	7%
	75%	6%
	80%	5%
	85%	4%
2005	50%	10%
	55%	9%
	60%	8%
	70%	7%
	75%	6%

	80%	5%
	85%	4%

Advertising or communicating in a state where a premium discount has not been previously been paid, using any other form, or containing any other information other than what is contained in one of these tables, as applicable, is prohibited.

4. The disclaimer required by 7 C.F.R. § 400.715(f) must be prominent, meaning that its print font size and boldness must be at least as large and as bold as the rest of the advertising content.
5. PRP advertisements may contain a civil rights, equal opportunity, or similar statement as may be required by State or Federal law.
6. The content of any PRP advertising or communication by an insurance provider (or its affiliates) that exceeds the limits imposed by section 400.715, as clarified in this memorandum, will be deemed to be a violation of section 400.715 and the insurance provider will be subject to the denial of reinsurance for any policies sold by the insurance provider, agent, agency, or other affiliate in the area where the advertisement or communication was distributed.
7. Any insurance provider, affiliate, producer, or interested party that discovers a violation of section 400.715, as clarified in this memorandum, is encouraged to file a PRP complaint. The process for filing a PRP complaint is detailed on the RMA website, www.rma.usda.gov. Alternatively, complaints may be filed by contacting Lee Z. Ziegler, Economist, Reinsurance Services Division, (202) 720-0192 (lee.ziegler@rma.usda.gov).