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Department of  
Agriculture

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Management  
Agency

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**BULLETIN NO: MGR-05-023**

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

**FROM:** Eldon Gould /s/ *Eldon Gould* 12/01/05  
Administrator

**SUBJECT:** Written Disclosures by Agents Required for Premium Reduction Plans

**BACKGROUND:**

On July 20, 2005, the Risk Management Agency (RMA) published an interim final rule in the Federal Register outlining procedures that pertain to premium reduction plans authorized by section 508(e)(3) of the Federal Crop Insurance Act (Act). Section 400.719(c) states that:

“The agents employed or under contract with an approved insurance provider that RMA has determined is eligible for the opportunity to offer a premium discount under the premium reduction plan must disclose to all producers, insured with the agent or inquiring about insuring with the agent, in writing the names of all approved insurance providers that the agent represents that RMA has determined are eligible for the opportunity to offer a premium discount under the premium reduction plan.”

RMA has received requests for clarification with respect to the timing and content of the disclosure. This bulletin provides guidance on the notification and disclosure by agents to producers as outlined in section 400.719(c).

**ACTION:**

**1. Written Disclosure Required**

- A. To ensure consistency among approved insurance providers, all agents who represent at least one company that has been determined to be premium-discount eligible by RMA must provide the following written disclosure to producers, as specified in section 400.719(c).



The Risk Management Agency Administers  
And Oversees All Programs Authorized Under  
The Federal Crop Insurance Corporation

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**“I write for *[insert names of all approved insurance providers that the agent represents]* that *[has/have]* been determined by the Risk Management Agency to be eligible to offer a premium reduction plan for the 2006 reinsurance year in *[state name]*. Premium discounts are not available for crops insured at the catastrophic (CAT) level of coverage or for ineligible producers. The past payments of premium discounts are not a guarantee that future payments will be made or an indication of the amount of future premium discounts.”**

- B. Any agent who represents approved insurance providers that are premium-discount eligible in more than one state must provide a written disclosure for insureds and prospective insureds in each such state.
- C. A list of approved insurance providers that are premium-discount eligible for the 2006 reinsurance year can be found at RMA’s website:  
[www.rma.usda.gov/news/2005/08/831prp.html](http://www.rma.usda.gov/news/2005/08/831prp.html)
- D. For subsequent reinsurance years, written disclosures must be updated to reflect current conditions.
- E. The mandatory disclosure does not apply to agents who do not represent at least one approved insurance provider that has been determined by RMA to be eligible for the opportunity to offer a premium reduction plan for the 2006 reinsurance year.

## **2. Optional Disclaimer**

- A. In addition to providing the required written disclosure, agents may add the following optional disclaimer if they choose:

**“An approved insurance provider’s eligibility to offer a premium reduction DOES NOT GUARANTEE that the approved insurance provider will ultimately request approval from the Risk Management Agency (RMA) to pay a premium discount or be approved by RMA to pay a premium discount. In addition, any payment of a premium discount by an approved insurance provider will occur only after the approved insurance provider’s financial information for the year has been independently audited and submitted to RMA and the requested discount verified and approved by RMA. Therefore, even if an approved insurance provider requests and is approved by RMA to pay a premium discount for 2006, its policyholders could receive the discount as late as the spring of 2008.”**

### **3. Timing of the Written Disclosures**

- A. Existing Insureds - Agents must provide all required written disclosures to existing insureds no later than fifteen days prior to the earlier of each applicable sales closing date or cancellation date. This notification needs to be provided only once to insureds during a reinsurance year.
  
- B. Prospective Insureds – Written disclosures must be delivered to prospective insureds inquiring about insurance coverage as follows:
  - i. When initial contacts provide feasible opportunities to physically deliver written disclosures to prospective insureds, such as an inquiry by email or a personal inquiry at an agent’s office, the written disclosure must be provided to the prospective insured during the initial contact.
  
  - ii. When initial contacts do not provide feasible opportunities to physically deliver written disclosures to prospective insureds, such as when prospective insureds inquire by telephone, agents must verbally provide the contents of the written disclosure during the initial contact.
  
  - iii. Written disclosures must be physically delivered to such new insureds no later than the date when the completed application for new insurance coverage is submitted to the agent.

### **DISPOSAL:**

This bulletin is for the purpose of transmitting information and will remain in effect until rescinded, revised, or upon publication of superseding procedures in the Code of Federal Regulations.