



United States  
Department of  
Agriculture

Risk  
Management  
Agency

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**INFORMATIONAL MEMORANDUM: IS-08-007**

**TO:** All Approved Insurance Providers  
All Risk Management Agency Field Offices  
All Other Interested Parties

**FROM:** William J. Murphy /s/ William J. Murphy 7/24/2008  
Deputy Administrator for Insurance Services

**SUBJECT:** Controlled Business Requirements of the New Farm Bill

**BACKGROUND:**

On May 22, 2008, the Food, Conservation, and Energy Act of 2008 (2008 Farm Bill) became law. Section 12005, "Controlled Business Insurance," of the 2008 Farm Bill amends the Federal Crop Insurance Act by adding a new section 508(a)(10), which states:

*(A) DEFINITION OF IMMEDIATE FAMILY.- In this paragraph, the term 'immediate family' means an individual's father, mother, stepfather, stepmother, brother, sister, stepbrother, stepsister, son, daughter, stepson, stepdaughter, grandparent, grandson, granddaughter, father-in-law, mother-in-law, brother-in-law, sister-in-law, son-in-law, daughter-in-law, the spouse of the foregoing, and the individual's spouse.*

*(B) PROHIBITION.- No individual (including a subagent) may receive directly, or indirectly through an entity, any compensation (including any commission, profit sharing, bonus, or any other direct or indirect benefit) for the sale or service of a policy or plan or plan of insurance offered under this title if –*

- (i) the individual has a substantial beneficial interest, or a member of the individual's immediate family has a substantial beneficial interest, in the policy or plan of insurance; and*
- (ii) the total compensation to be paid to the individual with respect to the sale or service of the policies or plans of insurance that meet the condition described in clause (i) exceeds 30 percent or the percentage specified in State law, whichever is less, of the total of all compensation received directly or indirectly by the individual for the sale or service of all policies and plans of insurance offered under this title for the reinsurance year.*



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

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*(C) REPORTING.- Not later than 90 days after the annual settlement date of the reinsurance year, any individual that received directly or indirectly any compensation for the service or sale of any policy or plan of insurance offered under this title in the prior reinsurance year shall certify to applicable approved insurance providers that the compensation that the individual received was in compliance with this paragraph.*

*(D) SANCTIONS.- The procedural requirements and sanctions prescribed in section 515(h) shall apply to the prosecution of a violation of this paragraph.*

*(E) APPLICABILITY.-*

*(i) IN GENERAL.- Sanctions for violations under this paragraph shall only apply to the individuals or entities directly responsible for the certification required under subparagraph (C) or the failure to comply with the requirements of this paragraph.*

*(ii) PROHIBITION.- No sanctions shall apply with respect to the policy or plans of insurance upon which compensation is received, including the reinsurance for those policies or plans.*

**ACTION:**

The Risk Management Agency recommends that each Approved Insurance Provider (AIP) notify all agents and subagents regarding:

1. The restrictions and requirements of section 508(a)(10);
2. The fact that section 508(a)(10) becomes effective beginning with the 2009 reinsurance year;
3. The need to immediately refrain from any activity that is not in compliance with section 508(a)(10); and
4. The requirement to certify compliance with section 508(a)(10) to the AIP within 90 days after the 2009 reinsurance year annual settlement date and each year thereafter.

Questions regarding this memorandum may be directed to Craig Witt, Director, Reinsurance Services Division, (202) 690-2957 or [craig.witt@rma.usda.gov](mailto:craig.witt@rma.usda.gov).