



United States  
Department of  
Agriculture

Risk  
Management  
Agency

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## INFORMATIONAL MEMORANDUM

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

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

10/10/2006

**SUBJECT:** Separation of Sales and Loss Adjusting Activities

### BACKGROUND:

Regarding conflict of interest prohibitions, section IV.F.4 of the Standard Reinsurance Agreement (SRA) effective for 2005 and subsequent reinsurance years states, in part:

a. The Company and its service providers shall not permit their sales agents, agency employees, sales supervisors, or any relative of its sales agent, agency employee or sales supervisor, to be involved in loss adjustment activities in a county or adjoining county where the sales agent, agency employee or sales supervisor performs sales functions . . .

Further, regarding conflict of interest prohibitions for loss adjustment personnel, the SRA states, in part:

b. The Company and its service providers shall not permit any person, or any relative of such person, involved in the loss adjustment determination or verification required to complete a claim or the determination or verification of a cause of loss, to be involved with the sales, solicitation or brokering of an eligible crop insurance contract or with any other function reserved for the agent in the procedures approved by FCIC in a county or adjoining county where the claims supervisor, employee or contractor performs claims functions.

The Risk Management Agency (RMA) has been asked whether these prohibitions are confined to the operations of each approved insurance provider (AIP) or whether they apply across the operations of all AIPs. For instance, is a sales agent (or a relative) for one AIP permitted to adjust losses for another AIP in the same or adjoining counties?



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And Oversees All Programs Authorized Under  
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**ACTION:**

The prohibitions identified in section IV.F.4 of the SRA are NOT confined to the operations of a single AIP. Consequently, for instance, a sales agent (or a relative) for one AIP is NOT permitted to adjust losses for ANY AIP in the same or adjoining counties. AIPs shall ensure that all of its employees and affiliates are aware of this prohibition.

RMA is currently preparing guidance on conflict of interest disclosure. This guidance should assist AIPs in gathering information on a broad range of conflict of interest situations, including those identified above. Until such guidance is issued, however, AIPs shall take those steps necessary to elicit information from its employees or affiliates that will allow the AIP to determine whether any employee or affiliate is currently violating the prohibitions identified in section IV.F.4. of the SRA and take immediate steps to halt any such practice.