



United States  
Department of  
Agriculture

Risk  
Management  
Agency

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**INFORMATIONAL MEMORANDUM: IS-11-002**

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

**FROM:** Michael A. Alston /s/ *Michael A. Alston* 3/11/2011  
Deputy Administrator for Insurance Services

**SUBJECT:** 2012 Standard Reinsurance Agreement (SRA) and 2012  
Livestock Price Reinsurance Agreement (LPRA)

The Risk Management Agency (RMA) has released the 2012 Standard Reinsurance Agreement (SRA) and Appendices, and the 2012 Livestock Price Reinsurance Agreement (LPRA) and Appendices, which become effective July 1, 2011. The documents are located on the RMA website at:

<http://www.rma.usda.gov/pubs/ra/> .

**1) The following previously negotiated changes are provided in the 2012 SRA:**

*Section III(a)(2)(B)* has been amended to read:

- (B) A&O subsidy and CAT LAE will be paid to the Company after the Company submits, and FCIC accepts, acreage reports, or other similar reports (e.g., preliminary tonnage report for eligible raisin crop insurance contracts, or inventory value reports for nursery and clam crop insurance contracts, annual farm report for eligible AGR crop insurance contracts). The initial payment to the Company of A&O subsidy and CAT LAE will be based on information reported on the September monthly settlement report following the end of the reinsurance year, and will be adjusted monthly thereafter.

*Section III(a)(2)(G)(i)(IV):*

For the 2012 reinsurance year, the value in subclause (IV) will be 1.0140.

*Section III(a)(2)(H)(i)(IV):*

For the 2012 reinsurance year, the value in subclause (IV) will be 1.0140.



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*Section III(c)(1)* has been amended to read:

- (1) With respect to payments due FCIC from the Company:
  - (A) Except as provided in subparagraph (B), all payments will be netted on the monthly and annual settlement reports with amounts due the Company from FCIC. FCIC will remit amounts due the Company by electronic funds transfer (EFT) on or before the FCIC payment date. Any amounts due FCIC or the Company that are not timely remitted are subject to the interest rate provisions contained in section IV(c), with such interest accruing from the date such payment was due to the date of payment.
  - (B) Amounts due FCIC on the September monthly settlement report following the end of the reinsurance year will be netted with amounts due the Company on prior reinsurance year reports. The Company must remit amounts due no later than the Company payment date for the September monthly report. The A&O subsidy and CAT LAE shown on the September monthly settlement report following the end of the reinsurance year, will not be netted with amounts due from the Company, but will be paid no later than the third business day of October. All subsequent monthly or annual settlement reports for the reinsurance year will be paid as specified in subparagraph (A).

*Appendix I, section VIII(c)(3)* has been amended to read:

- (3) If any State in which the loss adjuster performs loss adjustment activities requires a test which is not crop insurance-specific (as determined by FCIC) to obtain a license to adjust an eligible crop insurance contract, taking and completing with a passing grade a proficiency testing program developed, approved, and implemented under FCIC procedures in lieu of obtaining a license in such State, or, if such FCIC-approved proficiency testing program is not available in the State, taking and passing the State test and obtaining the license required by the State.

2) **The following technical correction was made in the 2012 Appendix IV:**

A technical correction was made to Appendix IV(b)(3)(E)(iv) changing the reference to “subparagraph (B)” to “subparagraph (E)”.

3) **The following revision was made in Appendix II is to accommodate Managers Bulletin 10-011.1, section 11:**

In accordance with section III(f) of Appendix II, the company is to provide Agent Compensation Reports. Section 11 of Manager’s Bulletin 10-011.1 states that the payment of processing, including computer hardware, up to and including 5 percent of the A&O subsidy and CAT LAE for a State for a reinsurance year will not be deemed as agent compensation. The Agent Compensation Report template provided by RMA has been revised to include columns for the reporting of processing fee payments.

4) **The following previously negotiated change is provided in the 2012 LPRA:**

*Appendix I, section VIII(c)(3)* has been amended to read:

- (3) If any State in which the loss adjuster performs loss adjustment activities requires a test which is not crop insurance-specific (as determined by FCIC) to obtain a license to adjust an eligible crop insurance contract, taking and completing with a passing grade a proficiency testing program developed, approved, and implemented under FCIC procedures in lieu of obtaining a license in such State, or, if such FCIC-approved proficiency testing program is not available in the State, taking and passing the State test and obtaining the license required by the State.

5) **The following revision was made in the 2012 LPRA to accommodate payments to FCIC when policy premium is not required upon application:**

*2012 LPRA, Section III(b)(1)* has been amended to read:

- (1) For all policies insured under this agreement which require premium payment upon application, the Company shall pay to the FCIC all premium ceded to FCIC as proportional reinsurance under the Private Market and Commercial Funds, and any non-proportional reinsurance premium on eligible livestock insurance

contracts designated to the Commercial Fund at the first monthly settlement after the Company submits, and the UCM accepts, the eligible livestock price insurance contracts, and will be updated each month thereafter as needed. If a policy does not require premium payment upon application, the Company shall make payment of all premium ceded to FCIC as proportional reinsurance under the Private Market and Commercial Funds, and any non-proportional reinsurance premium on eligible livestock insurance contracts designated to the Commercial Fund at the monthly accounting cut-off following the premium billing date contained in the Actuarial Data Master.

Companies wishing to participate during the 2012 reinsurance year must submit two signed copies of the applicable agreement and the Plan of Operation exhibits, to RMA by April 1, 2011. Send all 2012 SRA and 2012 LPRA documentation to:

*VIA email to:* [Dave.Miller@rma.usda.gov](mailto:Dave.Miller@rma.usda.gov)

or

*VIA overnight mail to:* David Miller, Director  
Reinsurance Services Division, RMA  
1400 Independence Avenue, SW  
Stop 0804  
Washington, DC 20250-0804

Please direct any questions to David Miller at 202-720-9830.