

APPENDIX IV QUALITY STANDARDS AND CONTROLS	APPENDIX IV
<p>I. DEFINITIONS</p> <p>The definitions in the Agreement apply to this Appendix unless otherwise indicated herein.</p>	<p>I. DEFINITIONS</p> <p>The definitions in the Agreement apply to this Appendix unless otherwise indicated herein.</p>
<p>Agent of Record means any licensed agent who has direct contact with the policyholder to provide or obtain information and assist the policyholder in determining the appropriate risk management options for the farming operation. All agents of record must be reported by the Company for the eligible crop insurance contract, in accordance with Appendix III.</p>	<p><i>[new]</i></p>
<p>Experienced agent means a person, licensed by the State in which the person does business under contract with an Approved Insurance Provider (Company) or its affiliate to sell and service eligible crop insurance contracts, and who has: (1) completed at least one full year of sales and service; (2) completed all training requirements for a new agent; and (3) completed and is current on certification requirements as may be required by FCIC.</p>	<p>Experienced agent means a person, licensed by the State in which the person does business under contract with a Company or its affiliate to sell and service eligible crop insurance contracts, and who has: (1) previously sold or serviced an eligible crop insurance contract; (2) completed one full calendar year of sales and service; and (3) completed all training requirements for a new agent and has completed and is current on certification requirements as may be required by FCIC.</p>
<p>Experienced loss adjuster means a person who has: (1) completed at least one full year of loss adjustment; (2) completed the training requirements for a new loss adjuster; and (3) completed and is current on certifications requirements as may be required by FCIC.</p>	<p>Experienced loss adjuster means a person who has: (1) previously adjusted claims for losses on an eligible crop insurance contract; (2) completed one calendar year of loss adjustment, and (3) completed the training requirements for a new loss adjuster and has completed and is current on certifications requirements as may be required by FCIC.</p>
<p>FSA has the same meaning as the term “Farm Service Agency” in section 1 of the Common Crop Insurance Policy Basic Provisions.</p>	<p>FSA has the same meaning as the term “Farm Service Agency” in section 1 of the Basic Provisions.</p>

<i>[removed]</i>	“Field inspections” means a visit to the policyholder’s farming operation for the purpose of making findings necessary to determine eligibility, compliance with program terms and conditions, the correct premium and any indemnity, prevented planting or replant payment, whether agents and loss adjusters have complied with all applicable procedures and include, but are not limited to, reviews for preliminary and final loss adjustment, pre-harvest or growing season inspection, and pre-acceptance inspections, the verification of adequate records, a determination that the reported practice is being carried out in accordance with good farming practices, a determination of whether the crop has been replanted, or to evaluate agent or loss adjuster conduct or the circumstances of a loss.
<i>[removed]</i>	“File review” means a review of documents contained in a policyholder’s file maintained by the Company or an affiliate to verify that the information to support that a claim’s approval or denial is appropriate and accurate based on information required to be obtained under the applicable procedures and that supporting documents, including actuarial materials, have been properly used in document completion.

Inspection means the verification:

- (1) As to whether the application, production report, acreage report, notice of claim, or other relevant documents (such as a Farm Report for AGR eligible crop insurance contracts) were timely submitted;
- (2) Of the information reported on the documents:
 - (A) referenced in subsection a. and related to the claim, including preliminary and final loss adjustment (Verification of the approved yields will consist of examination of the records supporting the last three years certified for the crop); and
 - (B) related to pre-harvest, growing season, or pre-acceptance examination of the crop;
- (3) That policy documents, including actuarial documents, have been properly used;
- (4) The reported practice is being carried out in accordance with good farming practices;
- (5) The crop has been planted, or replanted as applicable;
- (6) The policy constitutes an eligible crop insurance contract;
- (7) The producer qualifies as an eligible producer; and
- (8) The agent or loss adjuster has complied with procedures.

Inspection means the examination as applicable of the insured crop, the information or data recorded on documents submitted to establish the premium, liability, indemnity or prevented planting or replant payment or any other information that may be necessary to determine whether the crop insurance contract constitutes an "eligible crop insurance contract" or the agent or loss adjuster has complied with procedures. At a minimum, the review process entails the verification of the information or data to determine whether the information was timely submitted and accurate.

<p>New agent means a person, licensed by the State in which the person does business under contract with Company or an affiliate to sell and service eligible crop insurance contracts on behalf of the Company, who has not completed one full year of sales and service.</p>	<p>New agent means a person, licensed by the State in which the person does business under contract with Company or an affiliate to sell and service eligible crop insurance contracts on behalf of the Company, who has not: (1) previously sold or serviced an eligible crop insurance contract; or (2) completed one full calendar year of sales and service.</p>
<p>New loss adjuster means a person who is licensed in the state or has passed the proficiency testing program approved by FCIC, as applicable, and has not completed one full year of loss adjustment.</p>	<p>New loss adjuster means a person who has not: (1) previously adjusted claims for losses on an eligible crop insurance contract; or (2) completed one full calendar year of loss adjustment.</p>
<p>Satisfactory work performance means the work of the agent, loss adjuster, or other affiliates that is evaluated annually and found to be in compliance with the requirements of this Agreement.</p>	<p><i>[new]</i></p>
<p>Verification means the determination of whether information submitted is true and accurate through independent third parties or independent documentation in accordance with approved procedures. With respect to certifications, asking the policyholder whether the information is true and accurate does not constitute verification.</p>	<p>Verification means the determination of whether information submitted is true and accurate through independent means in accordance with procedures. With respect to certifications, asking the provider of the information whether the information is true and accurate does not constitute verification. Information from independent third parties or independent documentation must be obtained.</p>
<p>II. GENERAL QUALITY CONTROL PLAN REPORTING REQUIREMENTS</p> <p>(a) The Company shall annually provide an explanation of its Quality Control Plan with its Plan of Operations. The explanation must provide a detailed description that demonstrates that its Quality Control Plan meets or exceeds the following internal control elements:</p>	<p><i>[new]</i></p>
<p>(1) Control Environment. The control environment sets the tone of an organization, influencing the control consciousness of its people. Factors include the integrity; ethical values and competence of the entity’s people; management’s philosophy and operating style; the way management assigns authority and responsibility, and organizes and develops its people; and the attention and direction provided by the Company’s management.</p>	<p><i>[new]</i></p>

<p>(2) Risk Assessment. A precondition to risk assessment is establishment of objectives that must be identified in the Quality Control plan. Risk assessment is the identification and analysis of relevant risks to achieve the stated objectives of the Company's Quality Control plan, and form the basis for determining how the Company will manage risk to the crop insurance program.</p>	<p><i>[new]</i></p>
<p>(3) Control Activities. The Company must identify the way the policies and procedures that help ensure management directives are carried out. These controls help ensure that necessary actions are taken to address risks and limit non-compliance. They include a range of activities as diverse as approvals, authorizations, verification, reconciliation, reviews of operating performance, security of assets and segregation of duties. The Company plan will also include under Control Activities all the required reviews and obligations required by Appendix IV.</p>	<p><i>[new]</i></p>
<p>(4) Information and Communication. The Company's plan will include how pertinent information is identified, captured and communicated in a form and timeframe that enables the Company and its affiliates to carry out their responsibilities. Include an explanation of standard reports containing operational, financial and compliance related information that make it possible to run and control the business.</p>	<p><i>[new]</i></p>

<p>(5) Monitoring. The Company must articulate the process used to monitor their Quality Control Plan. The process will assess the quality of the Company's performance during each reinsurance year. This is accomplished through ongoing monitoring activities, separate evaluations, or a combination of the two. The process will also identify how quality control deficiencies are reported up through the chain of command and how the most serious matters are reported to the Company's top management.</p>	<p><i>[new]</i></p>
<p>(b) Approval of the Quality Control Plan in the Plan of Operations is not a determination of the sufficiency of the Company's quality controls. The sufficiency of the Company's quality controls will be determined through compliance reviews that evaluate the effectiveness of the Quality Control Plan to ensure compliance with this Agreement.</p>	<p><i>[new]</i></p>

III. TRAINING OF AGENTS, LOSS ADJUSTERS, AND OTHER PERSONNEL

(a) GENERAL COMPANY RESPONSIBILITIES

- (1) The Company is responsible for establishing a “Training and Performance Evaluation Plan” (TPEP). Nothing in these requirements precludes the Company from providing training that exceeds these requirements.

II. TRAINING OF AGENTS, LOSS ADJUSTERS, AND OTHER PERSONNEL

A. GENERAL COMPANY RESPONSIBILITIES

In general, the Company is responsible for:

- (1) Identifying and documenting the training needs of the employees, agents, agency employees, loss adjusters and contractor that act on behalf of the Company with respect to the applicable procedures and requirements associated with selling and servicing eligible crop insurance contracts.
- (2) Training all persons identified in paragraph (1) in a timely manner so that program delivery, participation, and operation will not be adversely affected.
- (3) Maintaining and retaining data required by section II.A.8. of the Agreement electronically, or by hard copy, in order to adequately evaluate the historical performance of such persons.
- (4) Conducting other training that may be required by FCIC. Nothing in these requirements precludes the Company from providing training that exceeds these requirements.

- (2) The TPEP shall:
- (A) State the minimum standards acceptable for:
 - (i) Test proficiency; and
 - (ii) Satisfactory work performance.
 - (B) Describe the internal control measures used to assign, track, monitor, and evaluate work performance against the minimum standards under subparagraph (A);
 - (C) Describe the additional training and work monitoring pertaining to a specific individual who fail to meet the minimum standards specified in subparagraph (A); and
 - (D) Explain how the results of the tracking and evaluation of training and work performance under subparagraph (B) will improve the Company's internal controls and overall performance.

[new]

- (3) The TPEP shall include:
- (A) The training curriculum developed from subsections (b) and (c) for new agents or new loss adjusters or an annual update course for experienced agents or experienced loss adjusters as well as specific advanced training courses to elevate work performance to meet the standards established in subsection (a)(2)(A).
 - (B) The individual training needs of the employees, agents, loss adjusters, or other affiliates with respect to the specific crops, areas, and plans of insurance serviced by such persons.
 - (C) The name of the person or persons responsible for the TPEP process identified in the Exhibit IV(e) of the Company's Plan of Operations.
 - (D) A timeline for training all persons identified in subparagraph (B) prior to the time the work is performed.
 - (E) The Company's plan for taking corrective, follow-up, or remedial actions when training does not produce the expected results.
 - (F) The procedures for the Company to maintain, retain, and provide to FCIC upon request:
 - (i) The tracking and evaluations of the historical performance of persons identified in subsection (b) with respect to subsection (a)(2)(A); and
 - (ii) Records of all corrective, follow-up, or remedial actions taken with respect to any person identified in subsection (b).
 - (G) A provision to conduct other training that may be required by FCIC.

[new]

<p>(4) An annual Training and Performance Evaluation Report (TPER) must be submitted with the Plan of Operations as part of the Company’s Exhibit IV(j). The annual TPER shall provide:</p> <p>(A) An evaluation of each agent and loss adjusters comparing their performance to the performance of other agents and loss adjusters in the area. Such performance evaluation shall include a review of the loss ratios associated with such agent and loss adjuster and the number and type of any errors or omissions related to the compliance with obligations under the Agreement; and</p> <p>(B) Any remedial actions taken by the Company to correct any error or omission, improve loss performance, or ensure compliance with the Agreement.</p>	<p><i>[new]</i></p>
<p>(b) SALES TRAINING CURRICULUM AND REQUIREMENTS</p> <p>(1) The training curriculum developed by the Company shall include those eligible crop insurance contracts which the Company will be selling or servicing in the States identified in Appendix II, and include at a minimum (for new agents and employees performing functions relating to sales or service, comprehensive information on all of the following, and for experienced agents and employees performing functions relating to sales or service, comprehensive information on updates or changes in the following), sufficient information to make such persons proficient in:</p>	<p>B. SALES TRAINING CURRICULUM AND REQUIREMENTS</p> <p>(1) Training curriculum developed by the Company must include those eligible crop insurance contracts which the Company indicates in Appendix II it will be selling or servicing in the State, and include at a minimum (for new agents and applicable employees, comprehensive information on all of the following, and for experienced agents and applicable employees, comprehensive information on updates or changes in the following), sufficient information to make such persons proficient in:</p>

<p>(A) The meaning of the terms and conditions of the Common Crop Insurance Policy, Basic Provisions and applicable Crop Provisions, published at 7 C.F.R. part 457, and the other available plans of insurance such as the Group Risk Plan published at 7 C.F.R. part 407, the revenue insurance plans, pilot programs, and other plans of insurance found on FCIC’s website at www.rma.usda.gov, and any changes thereto;</p>	<p>(a) The meaning of the terms and conditions of the Common Crop Insurance Policy, Basic Provisions and applicable Crop Provisions, published at 7 C.F.R. part 457, and the other available plans of insurance such as the Group Risk Plan published at 7 C.F.R. part 407, and the revenue insurance plans, pilot programs, and other plans of insurance found on FCIC’s website at www.rma.usda.gov, and any changes thereto;</p>
<p>(B) All applicable endorsements, Special Provisions and options and any changes thereto;</p>	<p>(b) All applicable endorsements, Special Provisions and options and any changes thereto;</p>
<p>(C) The benefits and differences between the applicable plans of insurance specified in subparagraph (A) and their suitability to farming conditions and operations in the relevant area;</p>	<p>(c) The benefits and differences between the applicable plans of insurance specified in subparagraph (a);</p>
<p>(D) The actuarial documents and their use;</p>	<p>(d) The actuarial documents and their usage;</p>
<p>(E) The requirements in the procedures applicable to the sales and service of eligible crop insurance contracts and any changes thereto;</p>	<p>(e) The requirements in the procedures applicable to the sales and service of eligible crop insurance contracts and any changes thereto;</p>
<p>(F) How to properly fill out and submit all applicable forms, documents, notices and reports;</p>	<p>(f) How to properly fill out and submit all applicable forms, documents, notices and reports;</p>
<p>(G) The requirements under applicable Federal civil rights statutes and methods to encourage program participation, including participation of limited resource, women, minority, and underserved producers or in underserved areas;</p>	<p>(g) The requirements under applicable Federal civil rights statutes and methods to encourage program participation, including participation of limited resource, women, minority, and under served producers or in under served areas;</p>
<p><i>[removed]</i></p>	<p>(h) The benefits of the available risk management products and applicability and suitability to farming conditions and operations in the relevant area;</p>

<p>(H) How to recognize anomalies in reported information and common indicators of misrepresentation, fraud, waste or abuse, the process to report such to the Company, and appropriate actions to be taken when anomalies or evidence of misrepresentation, fraud, waste or abuse exist;</p>	<p>(i) How to recognize anomalies in reported information and common indicators of misrepresentation, fraud, waste or abuse, the process to report such to the Company, and appropriate actions to be taken when anomalies or evidence of misrepresentation, fraud, waste or abuse exist; and</p>
<p>(I) Compliance with applicable laws and regulations governing business conduct and ethics, including rebating prohibitions, conflicts of interest, and controlled business, etc.; and</p>	<p><i>[new]</i></p>
<p>(J) Any other requirements as may be established by FCIC.</p>	<p>(j) Other requirements as may be determined by FCIC.</p>
<p>(2) Before the Company may permit persons identified in subsection (a) to sell or service any eligible crop insurance contract:</p> <p>(A) Any new agent or other person who solicits or otherwise promotes crop insurance sales on behalf of the Company must participate in a structured training program on all of the items listed in paragraph (1).</p>	<p>(2) Before the Company may permit persons identified in subsection A. to sell or service any eligible crop insurance contract:</p> <p>(a) The new agent or other applicable person (including any other person who solicits or otherwise promotes crop insurance sales on behalf of the Company) must participate in a structured training program of at least 12 hours on all of the items listed in paragraph (1).</p>
<p>(B) Any experienced agent must annually complete structured training, on updates or changes specifically related to the items listed in paragraph (1), or that are identified by FCIC or the Company where errors or omissions were identified during quality control reviews or processing of the sales related documents.</p>	<p>(b) The experienced agent or other applicable person must annually complete at least 3 hours of structured training, on updates or changes specifically related to the items listed in paragraph (1), or that are identified by FCIC or the Company as deficient during the quality control reviews or processing of the sales related documents.</p>

<p>(C) All agents must pass a basic competency test before they can sell or service an eligible crop insurance contract (all test results must be maintained by each Company in accordance with section II(a)(7) and IV(g) of the Agreement). Basic competency tests must specifically relate to the items listed in paragraph (1) and determine the proficiency of the person who completed the required training. Additionally, the Company must review the test results and document follow-up training initiatives for any identified deficiency.</p>	<p>(c) All agents and other applicable person must pass a basic competency test before they can sell or service an eligible crop insurance contract (all results must be maintained by each Company in accordance with section II.A.6.a. and IV.G. of the Agreement). Basic competency tests must specifically relate to the items listed in paragraph (1) and determine the proficiency of the person who completed the required training to sell and service eligible crop insurance contracts. Additionally, the Company must review the test results and document follow-up training initiatives for any area of identified weakness on the part of any one or more persons.</p>
<p>(D) All agents must retake and pass the basic competency test every three years.</p>	<p>(d) All agents and applicable persons must retake and pass the basic competency test every three years.</p>
<p>(E) If the agent was not employed by or did not contract with the Company in the previous year(s), the Company must obtain, and make available upon request, documentation that the agent has passed the basic competency test within the past 3 years with another AIP.</p>	<p>(e) If the agent or other applicable person was not employed by or did not contract with the Company in previous years, the Company must obtain and have available upon request, documentation that the agent or other applicable person has passed the basic competency test within the past 3 years with another AIP.</p>
<p>(3) Before any sales or service is commenced for the reinsurance year, the Company must provide a certification to FCIC it is in compliance with all of the provisions of this subsection.</p>	<p><i>[new]</i></p>

(c) LOSS ADJUSTMENT TRAINING CURRICULUM AND REQUIREMENTS	C. LOSS ADJUSTMENT TRAINING CURRICULUM AND REQUIREMENTS
(1) Training curriculum developed by the Company shall include those eligible crop insurance contracts which the Company will be selling or servicing in the State, as identified in Appendix II, and include at a minimum (for new loss adjusters, or employees performing functions related to loss adjustment, all of the following and for experienced loss adjusters or employees performing functions related to loss adjustment, updates and changes), sufficient information to make such persons proficient in:	(1) Training curriculum developed by the Company must include those eligible crop insurance contracts which the Company indicates in Appendix II it will be selling or servicing in the State, and include at a minimum (for new loss adjusters or applicable employees, all of the following and for experienced loss adjusters or applicable employees, updates and changes), sufficient information to make such persons proficient in:
(A) The items listed in subsections (b)(1)(A), (B), (C), (D), (F), (H), (I), and (J);	(a) The items listed in subsections B.(1)(a), (b), (c), (d), (f), (i), and (j);
(B) The requirements in the procedures applicable to loss adjustment of eligible crop insurance contracts and any changes thereto;	(b) The requirements in the procedures applicable to adjustment of claims for eligible crop insurance contracts and any changes thereto;
(C) How to properly verify the accuracy of the information contained on applicable forms, documents, notices and reports;	(c) How to properly verify the accuracy of the information contained on applicable forms, documents, notices and reports;
(D) How to properly determine the amount of production to be used for the purposes of determining losses;	(d) How to properly determine the amount of production to be used for the purposes of determining losses;
(E) The requirements under applicable Federal civil rights statutes; and	(e) The requirements under applicable Federal civil rights statutes; and
(F) Other requirements as may be established by FCIC.	(f) Other requirements as may be determined by FCIC.
(2) Before the Company may permit persons identified in section II(a). to adjust or sign any claim for any eligible crop insurance contract:	(2) Before the Company may permit persons identified in section II.A. to adjust or sign any claim for any eligible crop insurance contract:
(A) Any new loss adjuster must participate in a structured training program on all of the items listed in paragraph (1).	(a) The new loss adjuster or other applicable person must participate in a structured training program of at least 60 hours on all of the items listed in paragraph (1) (including at least 24 hours of classroom training).

<p>(B) Any experienced loss adjuster must annually complete structured training on updates or changes specifically related to the areas listed in paragraph (1) or that are identified by FCIC or the Company as errors or omissions discovered during the quality control reviews or processing of the loss related documents.</p>	<p>(b) The experienced loss adjuster or other applicable person must annually complete at least 18 hours of structured training (including at least 6 hours of classroom training), on updates or changes specifically related to the areas listed in paragraph (1) or that are identified by FCIC or the Company as deficient during the quality control reviews or processing of the sales related documents.</p>
<p>(C) All loss adjusters must pass a basic competency test (all test results must be maintained by each Company in accordance with section II(a)(7). and IV(g) of the Agreement). Basic competency tests must specifically relate to the areas listed in paragraph (1) and determine the proficiency of the persons who completed the required training to accurately and correctly determine the amount of the loss and verify applicable information. Additionally, the Company must review the test results and document follow-up training initiatives for any deficiency.</p>	<p>(c) All loss adjusters and other applicable persons must pass a basic competency test (all results must be maintained by each Company in accordance with section II.A.6.a. and IV.G. of the Agreement). Basic competency tests must specifically relate to the areas listed in paragraph (1) and determine the proficiency of the persons who completed the required training to accurately and correctly determine the amount of the loss and verify applicable information. Additionally, the Company must review the test results and document follow-up training initiatives for any area of identified weakness on the part of any one or more new loss adjusters or experienced loss adjusters.</p>
<p>(D) All loss adjusters must retake and pass the competency test every three years.</p>	<p>(d) All loss adjusters and other applicable persons must retake and pass the competency test every three years.</p>
<p>(E) The Company must obtain, and make available upon request, documentation that the loss adjuster has passed the basic competency test within the past 3 years with another AIP.</p>	<p>(e) The Company must obtain and have available upon request, documentation for any loss adjuster or other applicable persons that has passed the basic competency test within the past 3 years with another AIP to fulfill the requirements of this paragraph.</p>
<p>(F) Proficiency is established by passing a written test meeting the standards of the TPEP, and maintaining satisfactory work performance during the respective crop year.</p>	<p><i>[new]</i></p>

<p>(G) In addition, the loss adjuster is considered to maintain satisfactory work performance if the results of reviews to respond to producer complaints, State Departments of Insurance or FCIC inquiries, or other quality control reviews identify no material errors.</p>	<p><i>[new]</i></p>
<p>(3) Before any loss adjustment is commenced for the reinsurance year, the Company must provide a certification to FCIC it is in compliance with all of the provisions of this subsection.</p>	<p><i>[new]</i></p>
<p>IV. QUALITY CONTROL GUIDELINES</p> <p>(a) GENERAL COMPANY RESPONSIBILITIES</p> <p>In general, the Company is responsible for:</p> <p>(1) Establishing a system of internal controls to meet all FCIC quality control guidelines included in this Appendix.</p>	<p>III. QUALITY CONTROL GUIDELINES</p> <p>A. GENERAL COMPANY RESPONSIBILITIES</p> <p>In general, the Company is responsible for:</p> <p><i>[new]</i></p>

<p>(2) In addition to the requirements of section II.A, developing and providing a quality control plan detailing how the Company will carry out their quality control program. This quality control plan will be submitted with the Plan of Operation and must include:</p> <p>(A) The name and title of an official in charge of quality control and who is independent of sales and claims;</p> <p>(B) The names and titles of the persons who will conduct the quality control reviews;</p> <p>(C) The types of reviews that will be conducted and the time period when such eligible crop insurance contracts will be selected for each review; and</p> <p>(D) A complete description of the process to be followed by the reviewers for conducting each of the reviews.</p>	<p><i>[refer to III.A.13 below]</i></p>
<p>(3) Conducting all quality control reviews using objective and unbiased persons, who were not involved in the sales, supervision of sales, or establishment of the guarantee and did not participate in adjusting the loss for the eligible crop insurance contract reviewed. Quality control reviews must be independent.</p>	<p>(1) Conducting all quality control reviews required under this section through objective and unbiased persons, who were not involved in establishing the guarantee or adjusting the loss, or in the sales or supervision of sales for the eligible crop insurance contract reviewed.</p>
<p>(4) Conducting an inspection.</p>	<p>(2) Verifying the information provided by the policyholder, agent, and loss adjuster is true and accurate through means, including, but not limited to, interviews, field inspections, file reviews, and obtaining production or other records from third parties.</p> <p>(3) Verifying that the information was provided timely</p> <p>(4) Verifying that the crop insurance contract constitutes an eligible crop insurance contract.</p>
<p>(5) Implementing procedures for timely detection and reporting of suspected fraud, waste, and abuse by policyholders, employees or affiliates.</p>	<p>(5) Implementing procedures for detecting and reporting any instance of fraud, waste, and abuse by policyholders, employees or affiliates.</p>

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<p>(6) Notifying FCIC of suspected fraud, waste or abuse in accordance with section V of this Appendix and assisting FCIC in subsequent investigations.</p> <p>(7) Implementing administrative procedures to resolve and correct errors and omissions identified during an inspection.</p> <p>(8) Correcting any errors or omissions identified during any inspection.</p> <p>(9) Maintaining, in accordance with section IV.G of the Agreement, all documentation related to any inspection required by this Appendix.</p>	<p>(6) Correcting applicable monetary or actual production history discrepancies as required by FCIC and timely process such corrections to reconcile monthly accounting and statistical reports to reflect corrections, consistent with the Agreement.</p> <p>(7) Implementing administrative procedures to resolve and correct errors and assure accurate premium and loss determinations.</p> <p>(8) Maintaining loss files containing adequate supporting documentation, loss adjuster reports or any other necessary evidence to support the payment or denial of claims, including the actions taken to verify the applicable information.</p> <p>(9) Notifying FCIC of suspected fraud, waste or abuse in accordance with section IV of this Appendix and assisting FCIC in subsequent investigations.</p>
<p>(10) Establishing a process to respond to complaints by policyholders, the public, or state insurance departments, or referred to the Company by FCIC, documenting the complaint and actions taken by the Company in response, and providing such documentation to FCIC upon request, or immediately if the complaint is substantiated.</p>	<p>(10) Establishing a process to respond to policyholder complaints received directly from the public, state insurance departments, or complaints referred to the Company by FCIC or by the Company to FCIC, documenting the complaint and actions taken by the Company in response, and providing such documentation to FCIC upon request.</p>
<p>(11) Ensuring that companion eligible crop insurance contracts in force for other persons sharing in the crop are serviced consistently. Any Company procedure for ensuring such consistency must include a mechanism for seeking an interpretation of policy or procedure from FCIC in the event that the Company and another AIP disagree on the proper service.</p>	<p>(11) Following procedures related to companion eligible crop insurance contracts in force for other persons sharing in the crop.</p> <p>(12) Retaining all documents obtained in the course of the reviews conducted and all completed forms as required by the Agreement.</p>
<p>(12) Taking such actions to correct any non-compliance with the Agreement.</p>	<p><i>[new]</i></p>

<p>(13) Preparing and providing to FCIC within 10 business days of completing each review an Electronic Quality Control Review Record (EQCRR) detailing the results of the review in accordance with Appendix III.</p>	<p><i>[new]</i></p>
<p>(14) Retaining all documents, in accordance with section IV(g) of the Agreement, obtained in the course of the reviews conducted and all forms completed by the quality control reviewer and providing such documents to FCIC upon request. All review documentation is considered part of the policyholder file.</p>	<p><i>[new]</i></p>
<p><i>[refer to section IV(a)(2) above]</i></p>	<p>(13) Providing an outline of the plan the Company will use in carrying out its quality control program with the Plan of Operation. The quality control plan must include:</p> <ul style="list-style-type: none"> (a) The names and titles of the persons who will have oversight responsibilities (b) The types of reviews conducted (random sampling, FCIC designated, discretionary, etc.) and the time period when such eligible crop insurance contracts will be selected for each review. (c) A complete description of the process to be followed by the reviewers for conducting each of the reviews required under this section for the reviews required under this section.
<p><i>[removed]</i></p>	<p>(14) Conducting such other reviews (including monitoring programs) as may be determined necessary by FCIC to protect program integrity.</p> <p>(15) Taking such actions as directed by FCIC to correct systemic, procedural, or other problems revealed by the quality control reviews.</p>

<p>(15) Submit an annual Quality Control Report, signed and certified by Company's Chief Financial Officer by April 30 following the reinsurance year, detailing the overall results of the Company's reviews and any corrective actions taken, and confirming the Company has performed sufficient reviews to provide a reasonable assurance that the requirements of the Agreement have been met.</p>	<p>(16) Preparing and providing to FCIC, in a form determined by FCIC, not later than April 30 following each crop year (first report will be due April 30, 2006), an annual summary report detailing the results of the quality control program that will, at a minimum:</p> <ul style="list-style-type: none"> (a) For eligible crop insurance contracts which did not have discrepancies or incorrect information detected: Identify by contract number and crop, the name and title of the person who conducted the review for the respective eligible crop insurance contract, the date the review was completed, and the type of review conducted. (b) For eligible crop insurance contracts which had discrepancies or incorrect information: Identify by contract number and crop, the name and title of the person who conducted the review for the respective eligible crop insurance contract, the date the review was completed and the type of review conducted, the type of discrepancy or incorrect information detected, the monetary effect or the effect on the APH, and the corrective action taken. (c) Include other relevant quality control information that may be required by FCIC (e.g., error rates). (d) Such other information as may be required by FCIC.
<p><i>[removed]</i></p>	<p>(17) At the request of FCIC, provide copies of documentation completed by the reviewers for any of the reviews required under this section.</p>
<p><i>[removed]</i></p>	<p>(18) Reviewing claims in excess of \$100,000 and reporting the results to FCIC in the annual report.</p> <ul style="list-style-type: none"> (a) The review will consist of an examination of the information pertaining to the guarantee and loss, including the results of field inspections, to determine whether the claim can be substantiated. The Company must document the verification of the reported information pertaining to the claim and the sources used for verification. (b) If the review reveals errors in the claim, the Company must correct the claim or deny the claim.

<p><i>[removed]</i></p>	<p>B. FCIC RESPONSIBILITIES</p> <p>(1) FCIC will evaluate the Company's annual report to assess its compliance with this Appendix.</p> <p>(2) FCIC will conduct periodic compliance evaluations of the Company's quality control programs to determine compliance with the requirements of this Appendix, assess the effectiveness of the systems, and the accuracy of the Company's conclusions with regard to the quality control reviews conducted under this section.</p> <p>(3) FCIC will conduct periodic evaluations or reviews of the operations of the Company or its affiliates relating to the Federal crop insurance program.</p>
<p>(b) REVIEW REQUIREMENTS</p> <p>The Company is required to identify and conduct the following reviews on a reinsurance-year basis unless otherwise specified herein and report the results to FCIC.</p>	<p>C. SPECIFIC REVIEW REQUIREMENTS</p> <p>The Company is required to conduct the following reviews on a crop year basis unless otherwise specified herein.</p>

<p>(1) Data Mining Reviews. The Company must conduct an inspection of eligible crop insurance contracts for which anomalies have been identified by FCIC, not to exceed three percent of indemnified eligible crop insurance contracts for the reinsurance year, unless FCIC provides notice that additional inspections are required to address specific program integrity concerns.</p>	<p>(1) Program Reviews.</p> <p>(a) Review the anomalies identified by FCIC, or its designee, that suggest abnormal or unusual underwriting or loss performance and conduct reviews of eligible crop insurance contracts for which the anomalies appear, not to exceed 3 percent of indemnified eligible crop insurance contracts for the crop year, unless information from the review or other information received by FCIC leads FCIC to require the Company review additional contracts to address particular program integrity concerns.</p> <p>(b) Review eligible crop insurance contracts identified in subparagraph (a) in order to determine whether or not such contracts are in compliance with all applicable program requirements. Eligible crop insurance contracts may be selected based on various underwriting or loss criteria, but the Company will perform a review to determine if the information used to establish coverage and pay claims is complete and accurate.</p> <p>(c) A review will be considered acceptable if there is sufficient documentation to determine the accuracy of the original underwriting or claim information and may include field inspections, file reviews, and obtaining documentation from third parties as necessary.</p>
<p>(2) Individual Policy Reviews. The Company must conduct inspections or monitoring programs of eligible crop insurance contracts, entities, agents, loss adjusters, or affiliates identified by FCIC as may be determined necessary by FCIC to protect program integrity. If any review meets the criteria for one or more Operational Reviews, these reviews will count toward the applicable minimum review requirements for such Operational Review.</p>	<p><i>[new]</i></p>
<p>(3) Operational Reviews. These reviews are intended to ensure that the Company's internal controls are in place, operational, and provide reasonable assurance that the liability and indemnities are properly established in accordance with procedures.</p>	<p><i>[new]</i></p>

(A) APH Tolerance Reviews

- (i) Review Selection Criteria: The Company must identify a minimum of ten percent of insured units, unless otherwise specified by FCIC, for Category B and C (as identified in the Crop Insurance Handbook) eligible crop insurance contracts having a newly certified yield equal to or greater than 150 percent of the prior year's approved APH yield, if the database contains three or more years of actual records for the crop year certified.
- (ii) Review Procedures. The Company must conduct an inspection of:
 - (I) The units identified under clause (i) and all other units of the insured crop insured under the same eligible crop insurance contract as the unit specified in clause (i);
 - (II) New producer status, if applicable; and
 - (III) Transitional yields used.
- (iii) If acceptable records are not provided, the Company must:
 - (I) Recalculate the yield for each unit based on the acceptable records provided by the policyholder or obtained from other sources; and
 - (II) Revise production reports when the calculated yield varies by more than allowable tolerances (Approved APH tolerances and the procedures for correcting APH errors and erroneous yield certifications are contained in procedures).

(2) APH Tolerance Reviews

- (a) As provided in subparagraph (b), the Company must conduct reviews for those Category B and C eligible crop insurance contracts, as specified in the procedures, with a unit having a newly certified yield equal to or greater than 150 percent of the prior years' approved APH yield, if the database contains 3 or more years of actual records, for the crop year certified that have been identified by FCIC.
- (b) The Company must review a minimum of 10 percent of crop insurance units (including required CIH Excessive and Maximum Yield reviews) meeting the criterion in subparagraph (a). During the review process, the Company will:
 - (i) Review the production reports and yields certified on a crop basis;
 - (ii) Review all units for each crop year wherein the actual yields were certified for the selected crop (For example, if the policyholder certified actual yields for the 2 most recent crop years on the current production report, all units for both years will be reviewed);
 - (iii) Obtain acceptable records, as defined in procedures, from the policyholder to determine the accuracy of the certified yields and the established unit structures;
 - (iv) If the supporting records furnished are questionable, obtain the information from other sources such as grain dealers, processors, and first handlers of the commodity to verify the validity of the records and certifications;
 - (v) Recalculate the yield for each unit based on the acceptable records provided by the policyholder or obtained from other sources;
 - (vi) Revise production reports when the calculated yield varies by more than allowable tolerances (Approved APH tolerances and the procedures for correcting APH errors and erroneous yield certifications are contained in the procedures);
 - (vii) Verify the policyholder's status as a new producer, as defined in procedures; and
 - (viii) Correct any incorrect transitional yield.

<p>(B) Conflict of Interest Reviews: The Company must conduct an inspection for all eligible crop insurance contracts for which a conflict of interest has been disclosed or otherwise been identified and is required under MGR-08-001 or any successor bulletin or procedure.</p>	<p>(3) Conflict of Interest Reviews</p> <p>(a) The Company must conduct inspections for eligible crop insurance contract claims of persons directly associated with the Federal crop insurance program (i.e., employees or affiliates of the Company or employees of FCIC).</p>
<p><i>[disclosure requirements moved to Appendix I]</i></p>	<p>(b) The Company must notify in writing its employees and affiliates who are involved in the sale, service, or delivery of eligible crop insurance contracts, loss adjustment of eligible crop insurance contracts, or the supervision of either, of the rules regarding conflicts of interest contained in the Agreement and applicable procedure. (c) Applicable employees and affiliates will be required each year to submit a signed statement that verifies awareness of the conflict of interest rules and an agreement to abide by them.</p> <p>(d) In addition to the requirement in (c), and in accordance with the requirements of section IV.F.4.h. of the Agreement, applicable employees and affiliates must annually disclose the required information by the applicable acreage reporting date. Such disclosure must include the name of the policyholder or person with a substantial beneficial interest in the policyholder, and the type of relationship.</p> <p>(e) If the applicable employee or affiliate enters into a business, financial legal or familial relationship with the policyholder after the annual disclosure, the applicable employee or affiliate must disclose the information required in subparagraph (d) within 15 days of the entering the relationship.</p> <p>(f) The Company must evaluate the business, financial or legal relationship to determine whether the applicable employee or affiliate is in violation of section IV.F.4.d. of the Agreement or whether a conflict of interest review is necessary to determine if such violation has occurred. At a minimum, such reviews will be necessary when:</p> <ol style="list-style-type: none"> i. The applicable employee or affiliate has a familial relationship with the policyholder or a person with a substantial interest in the policyholder; or ii. The business, financial relationship or legal relationship with the policyholder has the potential to produce an incentive to create or inflate a loss because the applicable employee or affiliate, or a relative of the employee or affiliate, is entitled to a portion of the proceeds of the crop or the crop insurance payment or would otherwise receive a benefit from the policyholder based on the existence of crop insurance and their relationship.

<i>[refer to section IV(b)(3)(B)]</i>	(g) If a conflict of interest review is necessary, it will consist of a inspection for the eligible crop insurance contracts for which the conflict of interest exists.
<i>[removed]</i>	(4) Simplified Claims Reviews If the Company elects to use the Simplified Claims Process approved by FCIC, the Company must conduct inspections in accordance with procedures.
(C) Consecutive Loss Adjuster Reviews. The Company must conduct an inspection of: (i) At least 15 percent of the eligible crop insurance contracts where the same adjuster has been involved in three consecutive claim years for their Company; and (ii) 15 percent of any additional eligible crop insurance contracts, identified by FCIC, where the same adjuster has been involved in three consecutive claim years between multiple AIPs.	(5) Consecutive Loss Adjuster Reviews In accordance with section IV.F.4.c. of the Agreement, the Company must conduct reviews on not less than 15 percent of the claims identified by FCIC to determine whether or not the claims are in compliance with all applicable program requirements.

(D) \$100,000 Indemnity Reviews. The Company must identify and conduct an inspection on any eligible crop insurance contract with an indemnity of \$100,000 (\$100K) or more, where:

- (i) Any single indemnity exceeds \$100K due to prevented planting and/or production losses or area loss;
- (ii) Any aggregate indemnity, including claims that were closed, and subsequent claims exceed \$100K due to prevented planting and/or production losses; or
- (iii) The indemnity exceeds \$100K on an Adjusted Gross Revenue, or other revenue plan of insurance.

[refer to section IV.A.18 above]

- (E) Biotechnology Endorsement (BE) Reviews.
- (i) The Company must perform a spot check on the following:
- (I) A random selection of two and one-half percent of all eligible crop insurance contracts qualifying for the BE premium rate reduction that have a total liability for all insured corn under the eligible crop insurance contract of less than \$500,000;
- (II) A random selection of five percent of all eligible crop insurance contracts qualifying for the BE premium rate reduction that have a total liability for all insured corn under the eligible crop insurance contract of \$500,000 or more; and
- (III) All eligible crop insurance contracts qualifying for the BE premium rate reduction that have indemnities in excess of \$100,000.
- (IV) All eligible crop insurance contracts qualifying for the BE premium rate reduction where the Company or RMA has reason to believe the insured is not in compliance with the BE terms and conditions. Reviews under this requirement do not count toward the random 2.5 and 5 percent required inspection.
- (ii) The eligible crop insurance contracts must be selected for spot check at specific intervals of July 15, August 1, August 15, and September 5.
- (iii) All spot checks must include verification that:
- (I) The corn seed obtained is a qualifying hybrid;
- (II) The amount of qualifying hybrids the insured obtained is sufficient to meet the planting requirements for the unit(s) identified; and
- (III) The required traits are present in selected plants by submitting plant tissue samples to an independent laboratory identified by RMA.

[new]

- (F) Rainfall Index (RI) Reviews and Vegetation Index (VI) Reviews.
- (i) The Company must perform acreage/colony report reviews not later than 120-days after the acreage/colony reporting date for the crop, as listed in the Special Provisions or after an acreage adjustment is completed in the crop year as specified in section 8(K) of the Rainfall Index and/or Vegetation Index Common Policies.
 - (ii) Acreage/colony report reviews are required for:
 - (I) All eligible crop insurance contract receiving indemnities for which a conflict of interest has been reported under the Agreement;
 - (II) All eligible crop insurance contracts for which a written application for acreage reductions are made during the insurance year; and
 - (III) Not less than a 3-percent random sample for all Rainfall Index Pasture, Rangeland, Forage and Apiculture eligible crop insurance contracts and a 3 percent random sample for all Vegetation Index Pasture, Rangeland, Forage eligible crop insurance contracts with reported acreage/colonies.
 - (iii) Acreage/colony report reviews must include verification of:
 - (I) Actual acres (total including insured and uninsured acres) versus insured acres;
 - (II) Actual colonies versus insured colonies (colonies can be verified by FSA or other federal or state governmental reporting systems/requirements, tax records, transportation invoices, purchase agreements, bill of sales, etc.);
 - (III) Insurable interest/share in the crop; and
 - (IV) Insurability of the insured acreage located within the county, and that such acreage was reported on or before the acreage reporting date.

[new]

V. REPORTING SUSPECTED MISREPRESENTATION, FRAUD, WASTE, AND ABUSE

In all cases where the Company or its affiliates reasonably suspects misrepresentation, fraud, waste, or abuse, the Company must:

- (a) Immediately report such cases to FCIC;
- (b) Not take any action until the Company and FCIC have agreed to the appropriate course;
- (c) Take any action required by FCIC and, upon completion, forward all information and documents in the possession of the Company regarding the required action to the appropriate FCIC compliance office for the area; and
- (d) If the Company does not find adequate evidence to support a conclusion that a misrepresentation, fraud or waste and abuse has occurred, maintain all documents, in accordance with section IV(g) of the Agreement, relating to the suspected misrepresentation, fraud, waste, or abuse, and any actions taken.

IV. REPORTING SUSPECTED MISREPRESENTATION, FRAUD, WASTE, AND ABUSE

A. COMPANY RESPONSIBILITIES

In all cases where the Company or its affiliates reasonably suspects misrepresentation, fraud, waste or abuse based on any evidence, including but not limited to, losses, production or yields that deviate significantly from other producers in the area, unverifiable harvested production, personal knowledge that contradicts any information provided by the policyholder or any other person who provides information with respect to the eligible crop insurance contract, the Company must:

- (1) Immediately review, document, and report to FCIC such cases.
- (2) Forward all information and documents in the possession of the Company regarding the suspected misrepresentation, fraud, waste or abuse to the appropriate FCIC compliance office for the area.
- (3) If the Company's review does not find adequate evidence to support a conclusion that a misrepresentation, fraud or waste and abuse has occurred, maintain all documents relating to the complaint and any actions taken in accordance with section IV.G. of the Agreement.
- (4) Conduct a follow-up review on the policyholder in the crop year immediately following the year in which the suspected wrongdoing occurred.

[removed]

B. FCIC RESPONSIBILITIES

- (1) FCIC compliance field offices will monitor reports and findings of misrepresentation, fraud, waste or abuse and assist the Company in conducting inquiries to the extent possible.
- (2) In cases of actual or suspected fraud, FCIC will refer the information to the Office of Inspector General (OIG) for action.
- (3) FCIC compliance field offices will notify the Company of the actions deemed necessary by the OIG.
- (4) If the OIG declines investigation, the FCIC compliance field office will determine whether administrative action is appropriate and will notify the Company of the actions taken.

[moved to Appendix I]

V. LARGE CLAIMS REVIEWS

- A. The Company must immediately notify FCIC of a potential claim on an eligible crop insurance contract, which is likely to exceed \$500,000, or such other amounts as determined by FCIC, and the production losses under such claim are likely to exceed such amount.
- B. FCIC may, at its option, review or determine the losses for potential claims that are equal to or greater than the amount specified in subsection A. FCIC reserves the right to select any potential claim for review or to participate in the loss determination. Within 3 business days of notice by the Company of a potential claim under this subsection, FCIC will notify the Company whether it will review or participate in the loss determination.
- C. If FCIC elects to review a potential claim, the Company is required to provide a copy of all documents associated with the claim as specified by FCIC.
- D. If FCIC elects to participate in the loss determination, the Company must notify FCIC of and give FCIC the opportunity to participate in all aspects of the loss adjustment process, including field inspections.
- E. If there is a dispute between FCIC and the Company with respect to FCIC's determination of a loss under this subsection, the Company will pay the claim in accordance with FCIC's approval, but retains the right to dispute FCIC's actions in accordance with the administrative appeals procedures found in 7 C.F.R. part 400.169.
- F. With respect to any claim where FCIC participates in the loss determination, or revises, modifies or corrects any claim for loss under this subsection, any dispute by the eligible producer regarding the amount of the claim must be brought against FCIC.