

## APPENDIX II PLAN OF OPERATIONS

The Plan of Operations (Plan) filed by the Company must contain the information stated herein and the Company must certify the accuracy and completeness of the Plan. Information, documents, exhibits, or forms, are to be identified in the Plan as Exhibits to correspond with each section and paragraph. The Company must file all Exhibits required herein annually, and, as necessary, file any addition or revision to specific Exhibits during the reinsurance year. Any Exhibit not filed when required may delay approval of the Plan. The Company may be required to provide additional information as may be necessary to clarify or provide further detail in support of the Company's or MGA's financial or operational capacity.

### I. Insurance Company General

- (a) *[formerly 1]* The name, address, phone number, web site address, and tax identification number of the Company. (Note: If the Company's Plan is approved, information from this Exhibit other than tax identification number will be released on RMA's public web site.)
- (b) *[formerly 2]* The names, address, and tax identification numbers of all PICs and, upon request, a copy of agreements between the Company, or its MGA, and PICs.
- (c) *[formerly 3 and 4]* If the Company elects to use an MGA:
  - (1) The name, phone number, address, web site address, and tax identification number of the MGA; (Note: If the Company's Plan is approved, information from this Exhibit other than tax identification number will be released on RMA's public web site.)
  - (2) A copy of all agreements between the MGA and the Company that relates to eligible crop insurance contracts reinsured under this Agreement; and
  - (3) A letter from an officer of the Company that empowers the entity identified in subparagraph a) to act as the MGA for the Company for the reinsurance year. The officer must be listed in the Company's Annual Statement filed with the State in which the Company is domiciled and have the authority to act on behalf of the Company.

### II. Certifications

Each Exhibit in this section must be signed by the person authorized to sign the Agreement on behalf of the Company, unless otherwise specified.

- (a) *[formerly 23]* In accordance with section I of Appendix I, the Company must submit its certification regarding procurement integrity.

- (b) *[formerly 24]* In accordance with section II of Appendix I, the Company must submit its certification regarding a drug free workplace.
- (c) *[formerly 25]* In accordance with section III of Appendix I, the Company must complete and submit OMB Form LLL, Disclosure of Lobbying Activities (Exhibit B.3), and specify the period of time to which such completed form applies.
- (d) *[formerly 26]* In accordance with section IV.(p) of the Agreement, the Company must submit its certification regarding compliance with discrimination laws.
- (e) *[formerly 9]* Certification from the Company that the Company, its MGA as applicable, its affiliates, and its PICs are properly licensed under the insurance laws or regulations of all States in which the Company sells and services eligible crop insurance contracts reinsured under this Agreement.
- (f) *[formerly 10.q]* A certification from the Company regarding the Company's ability to meet its obligations under the current and any prior Agreement, as applicable.
- (g) *[new according to MGR-09-001]* The certification from the Company regarding non-disclosure, as specified in Appendix I, section XV (a)(9).
- (h) *[new]* A certification from the Company that the information required by CCR ([www.ccr.gov](http://www.ccr.gov)) has been provided. This information will be used to process payments.

### III. Financial Information

Upon specific request by FCIC, the Company must provide the following (FCIC will normally obtain this information directly from the National Association of Insurance Commissioners):

- (1) (1) *[formerly 10.a]* The Statutory Annual Statement for the most recent reporting year.
  - (2) (2) *[formerly 10.b]* The Statutory Quarterly Statements for the most recent quarter and throughout the reinsurance year, within 10 days after such statements are filed with the State.
  - (3) *[formerly 10.d]* The Statutory Management Discussion and Analysis, within 10 days of making the filings in subparagraph c.
- (b) The Company must provide the following:

- (1) *[[formerly 10.g and 10.j] If prepared in the normal course of business, annual audited GAAP financial statements for the previous reporting year, by June 1 preceding the start of the reinsurance year.*
  - (2) *[[formerly 10.j] If prepared in the normal course of business, Quarterly GAAP financial statements throughout the reinsurance year, within 45 days of the end of each quarter.*
  - (3) *[[formerly 10.j] If prepared in the normal course of business, annual Security Exchange filings (i.e. 10K), if applicable, within 10 days of making such filings.*
  - (4) *[[formerly 10.j] If prepared in the normal course of business, quarterly Security Exchange filings (i.e. 10Q) within the reinsurance year, if applicable, within 10 days of making such filings.*
  - (5) *[[formerly 10.c] Internal controls or management recommendations received from an independent auditor regarding the Company, by June 1 preceding the start of the reinsurance year.*
  - (6) *[[formerly 10.f] Actuarial Opinion of Reserves for the most recent reporting year, by June 1 preceding the start of the reinsurance year.*
  - (7) *[[formerly 10.e] The most recent State Insurance Department Examination Report, within 30 days of receipt of such report.*
- (c) If an MGA is designated, the MGA must provide the following:
- (1) *[[formerly 10.g & 10.j] Annual audited GAAP financial statements for the previous calendar or fiscal year, as applicable, by June 1 preceding the start of the reinsurance year.*
  - (2) *[[formerly 10.g & 10.j] Quarterly GAAP financial statements throughout the reinsurance year, within 45 days of the end of each quarter.*
  - (3) *[[formerly 10.g & 10.j] Annual Security Exchange filings (i.e. 10K), if applicable, within 10 days of making such filings.*
  - (4) *[[formerly 10.g & 10.j] Quarterly Security Exchange filings (i.e. 10Q) within the reinsurance year, if applicable, within 10 days of making such filings.*
  - (5) *[[formerly 10.c] Internal controls or management recommendations received from an independent auditor regarding the MGA, by June 1 preceding the reinsurance year.*

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- (d) *[formerly 10.h]* The Company must provide an explanation for any ratio falling outside the requirements of 7 C.F.R. §§ 400.170-176.
- (e) *[formerly 10.i]* Financial relationships as follows:
- (1) A description of all financial relationships between:
    - (A) All entities in any controlled group of corporations, as defined in 26 C.F.R. § 1563-1T, to which the Company would be considered a member and the Company;
    - (B) The Company and any entity in any controlled group of corporation to which the Company is considered a member and any entity or affiliate providing services to any approved insurance providers under this Agreement; and
  - (2) If the Company elects to use an MGA, as identified in section I.(c), a description of all financial relationships between:
    - (A) The MGA and any entities in any controlled group of corporations to which the MGA would be considered a member: and
    - (B) The MGA and any entity in any controlled group of corporation to which the Company is considered a member and any entity or affiliate providing services to any approved insurance providers under this Agreement.
- (f) *[formerly 10.m]* Agent Compensation Report, that itemizes agent commissions and other agent compensation for eligible crop insurance contracts reinsured by FCIC as specified in the Agent Compensation Template and completed for the:
- (1) previous reinsurance year's actual data (must be independently audited);
  - (2) current reinsurance year's estimated data; and
  - (3) upcoming reinsurance year's projected data.
- (g) *[formerly 10.n]* Loss Adjustment Expense Report, itemizing loss adjuster expenses for eligible crop insurance contracts reinsured by FCIC, as specified in the Loss Adjustment Expense Template and completed for the:
- (1) previous reinsurance year's actual data (must be independently audited);
  - (2) current reinsurance year's estimated data; and
  - (3) upcoming reinsurance year's projected data.
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- (h) *[formerly 10.o]* Total Expense Report, itemizing total expenses for all eligible crop insurance contracts reinsured by FCIC, prepared according to the National Association of Insurance Commissioners Annual Statement Instructions, as specified in the Total Expense Template, and to be completed for the:
  - (1) previous reinsurance year's actual data (must be independently audited);
  - (2) current reinsurance year's estimated data; and
  - (3) upcoming reinsurance year's projected data.
- (i) *[formerly 10.p]* Posted reserves for which estimated liability exceeds five percent of policyholder surplus for:
  - (1) all open contingent liabilities; and
  - (2) all pending arbitration, mediation, or litigation.
- (j) *[formerly 10.k, 10.l, and 10.s]* Upon request, with respect to the Company and MGA:
  - (1) *[formerly 10.k]* Actual and estimated cash flow documentation; or
  - (2) *[formerly 10.l]* Copies of all line of credit agreements with financial institutions used to fund any expenses, including amounts due FCIC.
  - (3) *[formerly 10.s]* Any other financial information related to the Company or the MGA that would assist FCIC in determining the financial capacity to perform under the terms of this Agreement.

#### **IV. Insurance Operations**

- (a) *[formerly 5]* The name, title, mailing address, e-mail address, office telephone numbers, and fax telephone numbers of the officer or employee authorized by the Company to sign and certify the Operations Report.
- (b) *[formerly 6]* The names, titles, mailing addresses, e-mail addresses, office telephone numbers, and fax telephone numbers of at least two officers or employees authorized by the Company, and two officers or employees authorized by the MGA, if an MGA is designated by the Company, as managers of the eligible crop insurance contracts reinsured under the Agreement. Each person will act as liaison or contact between the Company and FCIC regarding this Agreement.
- (c) *[formerly 7, also see item IV(n)]* The names, mailing addresses, e-mail addresses, office telephone numbers, and fax telephone numbers of the office of the

Company, or any entity, that qualifies as a service provider and a description of the services they provide.

- (d) *[formerly 8]* The names, mailing addresses, e-mail addresses, office telephone numbers, and fax telephone numbers of the office of the Company, or any entity, that provides a service related to eligible crop insurance contracts reinsured under this Agreement that have not been provided under section IV(c). and a description of the services they provide, excluding agents, agencies, and loss adjusters.
- (e) *[formerly 10.i]* An organizational chart showing the names, positions, and years of crop insurance experience of key personnel engaged in Federal crop insurance operations. Any changes to the key personnel identified on this chart must be reported within 30 days to FCIC in writing. Key personnel includes individuals managing, supervising, or directing the following functions: chief executive officer, chief operations officer, financial operations, information technology, underwriting, claims, quality control, training and development, sales and marketing, compliance, reinsurance, and field or service office supervisors.
- (f) *[formerly 15]* The name and address of the Company or MGA, if applicable, and the bank that will make Electronic Funds Transfer payments to FCIC for the Company.
- (g) *[formerly 16]* The name, street address, city, county, state, country, city code, county code, state code, country code, (codes can be obtained from <http://www.itl.nist.gov/fipspubs/55new/nav-top-fr.htm> and <http://www.itl.nist.gov/fipspubs/10-3tab2.htm> ) and Congressional District for the organization to whom payments from FCIC should be remitted for amounts due on Monthly and Annual Settlement reports.
- (h) *[formerly 17]* A declaration as to the Company's intention to use the Escrow Agreement and its associated procedures, for reimbursement by FCIC to cover losses paid by the Company. If the Company elects to use the Escrow Agreement, the Company must provide:
  - (1) An executed copy of the Agreement regarding the Reinsurance Escrow Arrangement between the Company and FCIC; and
  - (2) An authorization from the Company's board of directors for the individual signing the Agreement regarding the Reinsurance Escrow Arrangement on behalf of the Company; and
  - (3) An executed copy of the Escrow Agreement between the Bank and FCIC;
  - (4) An authorization from the bank's board of directors for the individual signing the Escrow Agreement on behalf of the Bank.

- (i) *[formerly 21]* The Training and Performance Evaluation Plan (TPEP) and the Training and Performance Evaluation Report (TPER) required in Appendix IV . The TPEP will be approved if all elements identified in Appendix IV are contained therein. Approval of the TPEP in the Plan of Operations is not a determination of the sufficiency of the Company’s training and evaluation program.
- (j) *[formerly 22]* The Quality Control Plan required in Appendix IV . The Quality Control Plan will be approved if all elements identified in Appendix IV are contained therein. Approval of the Quality Control Plan in the Plan of Operations is not a determination of the sufficiency of the Company’s quality controls.
- (k) *[formerly 27]* With respect to section II.(a)(5). of the Agreement:
  - (1) The Company must review its contract arrangements with any affiliate that is also a cooperative or trade association or any affiliate that, in turn, has a contractual arrangement with a cooperative or trade association to determine whether the cooperative or trade association seeks to qualify for payments to producers under section 508(b)(5)(B). ( If a cooperative or trade association seeks to qualify under section 508(b)(5)(B) after the date the Plan is submitted to FCIC, the Company must submit the items listed below and receive written FCIC approval before the cooperative or trade association will be deemed to qualify under section 508(b)(5)(B).) The Company must provide:
    - (A) The names, addresses, and telephone numbers of each cooperative association or trade association with which the Company or its affiliates intends to enter into a licensing or other financial agreement or contract authorized by sections 508(b)(5)(B) of the Act, or has entered into such agreements;
    - (B) A copy of the agreement or contract with the cooperative association or trade association and a list of the states where the cooperative association or trade association will return all or part of the CAT administrative fee received from the Company to its producers;
    - (C) For each State listed in subparagraph (B), a letter from the State Insurance Department stating whether the payment of all or a portion of the CAT administrative fees on behalf of producers is in compliance with the rebating laws of such State.
  - (2) For those cooperative or trade associations previously determined by FCIC to have qualified under section 509(a)(9)(B)(iii) of the Act, the Company must provide a current certification from an officer of the cooperative or trade association that it will make any payments to its

producers during the reinsurance year under the same terms and conditions under which it received original approval from FCIC.

- (1) *[formerly 28]* E-Business Implementation Plan: The Company must include the following information to demonstrate compliance with the Freedom to E-File Act.
  - (1) The process the Company will use to provide and receive electronically all required forms and other information concerning the crop insurance program. The Company must provide a description of:
    - (A) The process the Company will use to allow producers to file electronically all paperwork required for participation in the program.
    - (B) The type of electronic signature that will be used by producers.
    - (C) The name, address and e-mail address for one contact person with the vendor being used to provide electronic signatures.
    - (D) The security measures the Company will use to protect the confidential nature of the data and information submitted by producers from being reviewed, revised or otherwise used by unauthorized persons. A third-party certification of security measures must be obtained from a recognized security certification firm and must be provided.
    - (E) The process the Company will use to document revisions to data and information submitted by producers.
    - (F) The storage, backup and retention procedures being used by the Company for electronically filed documents. Provide the name, address, and phone number for one contact person for the Company who manages the storage and backup procedures for the Company.
  - (2) The names, URL's, facsimile numbers, and mailing addresses of each location where producers may electronically access and file the paperwork required for participation in the program.
  - (3) Describe the directions being provided with respect to how to access the information and forms, properly complete and submit them; meeting filing deadlines; obtaining user ID and password, etc.
  - (4) The online responsibilities of the crop insurance agent to each producer who files or retrieves required paperwork electronically with the Company.



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- (5) The process for obtaining consent from the producer to electronically conduct crop insurance business on a partial or complete basis with the Company.
  - (6) Provide the procedures a producer must use to withdraw consent to electronically conduct crop insurance business on a partial or complete basis with the Company.
  - (7) Provide the procedures that a producer must use to request a paper copy of an electronic record.
  - (8) The statement of the required hardware and software needed by a producer to access, obtain, and retain electronic documents from the Company.
- (m) *[new]* A general description of the Company's Information Technology architecture and operating environment (e.g., hardware and software) to determine operating capacity and compatibility with RMA systems, including whether these systems are managed in-house or through contracted vendors, and the names of any contracted vendors involved in the maintenance of Company operating systems that interact with RMA systems. The description should, at a minimum, include the types and major version number of operating systems and databases; major programming languages and software products; the version number and/or name of the company's developed system; network architecture and security capabilities; and industry standards or methodologies used for data exchange and software development.
- (n) *[revised version of former item 7]* A complete description of the process the Company will use to retain all official records relative to eligible crop insurance contracts reinsured under this Agreement (i.e., applications, acreage reports, summaries of coverage, claims of loss, etc.), the office addresses and telephone numbers of the locations where such records are retained, and the security measures taken to ensure compliance with FISMA. If records are kept electronically, include the processes and procedures, principal and backup server locations for the electronic storage and retrieval of such records. (Note, if original insurance documents are retained by sales agencies or sales agents, the Company must also report this in accordance with Appendix III.)
- (o) *[new]* If the Company is requesting to provide profit sharing compensation to an affiliate in excess of the A&O subsidy compensation limitation specified in section III.(a)(2)(D):
- (1) A listing of all affiliates to receive such profit sharing compensation;
  - (2) The reinsurance year(s) the profit was earned by the Company and the amount of profit for each reinsurance year; and
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- (3) The amounts or percentages of profit sharing compensation to be paid to each affiliate.
- (p) *[new]* If requested by FCIC, any information related to the Company or MGA that would assist FCIC in determining the operational capacity to perform under the terms of this Agreement.

## V. FCIC Reinsurance Business Plan

- (a) *[formerly 11]* The maximum reinsurable net book premium volume for which the Company requests reinsurance. (This may be more than the total provided in Exhibit (V)(b)).
- (b) *[formerly 12]* A designation as to the States in which the Company wants to be authorized to sell and service eligible crop insurance contracts and estimates of the net book premium assigned to each fund within each designated State as specified in the Estimated Premium Template. The State in which the Company is officially domiciled must be designated.
- (c) *[formerly 14]* A declaration of the percent of the net book premiums and associated liability for ultimate net losses the Company will retain in the Commercial Fund for each State designated in accordance with section E.2, as specified in the Commercial Fund Template.
  - (1) Selling and servicing eligible crop insurance contracts in a State for which no declaration has been made under this subsection will result in the retention of 100 percent net book premium and associated liability for ultimate net losses for that State.
  - (2) In the case of the Company acquiring another AIP, or the Company merging with another AIP, and the declarations made under subsection E.3. are different between the Company and AIP, in its sole discretion, FCIC will determine the percent of the net book premiums and associated liability for ultimate net losses the Company will retain in each State in order to ensure that losses are not shifted to FCIC.
- (d) *[formerly 19]* The Company's intention to reinsure a portion of its net liability (after FCIC reinsurance) in accordance with section II(b)(12) of the Agreement. The Company must submit, within 10 days of execution of reinsurance documentation, a copy of the reinsurance documentation (agreements or cover notes) related to eligible crop insurance contracts reinsured under this Agreement. The reinsurance documentation must be executed by all parties and include:
  - (1) The percent subscribed by each reinsurer to each arrangement, treaty, or binder, and the names of each reinsurer, intermediary, or broker; and

- (2) A description of the type of reinsurance, retentions, attachment points and limits, aggregate limits, minimum deposit, premium rates, and all other applicable terms.

**VI. Risk Assessment and Contingency Plan** *[formerly 10.r and 20]*

The risk assessment shall consist of, at a minimum, the following:

- (a) A copy of the latest maximum probable loss risk assessment, whether prepared by or on behalf of the Company. The assessment must detail the magnitude and frequencies of the risks assessed and include a description of the methodology used.
- (b) For each of the risks listed in subsection (c):
  - (1) An estimate of the probability of occurrence;
  - (2) A rationale for the estimate;
  - (3) An assessment of the impact on the Company; and
  - (4) A contingency plan for how the Company will be able to meet the obligations under the Agreement should the event described by such risk occur. The plan must describe:
    - (A) How the Company will ensure that sufficient resources will be available to continue operations and service eligible crop insurance contracts for current and any previous reinsurance years, as applicable;
    - (B) How the Company would meet its obligations for continuity of indemnity payments to producers, to accurately calculate premium and indemnities, to bill premium timely, and to prevent data corruption;
    - (C) If the Company uses an MGA identify how the Company will obtain or retain sufficient financial and operational capacity to manage a delivery system through resources other than those currently provided by the MGA;
    - (D) How the Company will ensure that sufficient cash resources will be retained to continue servicing operations and meet all requirements of the Agreement;
    - (E) How the Company will ensure that it retains sufficient expertise in crop insurance sales, underwriting, loss adjustment, quality

control, data processing, and all other facets of crop insurance sales and service to continue operations until all requirements of the Agreement have been met; and

- (F) The physical security of current and backup systems; how backup systems will be deployed in the event they are needed; an estimate as to how long before normal operations may be expected to resume in the event the backup system is needed as the primary operational system; and how personally identifiable information will be protected in a transition from primary to backup systems.

(c) Risks:

- (1) Crop insurance expenses exceed the A&O subsidy provided by FCIC.
- (2) Underwriting gains are insufficient to offset any expense deficit identified in paragraph (1).
- (3) Policyholder surplus decreases more than ten percent in any calendar year.
- (4) A significant interruption occurs in computer hardware or software that affects operations or data transfer capabilities (such as due to a computer virus, security breach, communications failure, etc.).
- (5) A rating agency determines the Company's ability to meet its current obligations is marginal and that its financial condition is vulnerable.
- (6) Lines of credit or other financial arrangements become unavailable or is inadequate to meet cash flow needs.
- (7) Commercial reinsurance becomes unavailable or its cost rises (or ceding commissions received declines) significantly.
- (8) If the Company uses an MGA or service providers, the MGA or service provider:
  - (A) Is no longer able to perform the requirements of its agreement with the Company;
  - (B) Is no longer has the financial or operational capacity to enable the Company to comply with the requirements of the Agreement; or
  - (C) Becomes ineligible to participate in the Federal crop insurance program.

- (9) Any other material threat or risk that the Company may be aware of or have prior knowledge of that should be considered in the selling and servicing of eligible crop insurance contracts reinsured under the Agreement.