



United States Department of Agriculture

Farm and Foreign Agricultural Services
Risk Management Agency

BULLETIN NO.: MGR-99-043

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

FROM: Kenneth D. Ackerman
Administrator

SUBJECT: Status of Proposed Rule - Premium Reductions, Payment of Rebates, Dividends, and Patronage Refunds; and Payments to Insured-owned and Record-controlling entities.

BACKGROUND:

On May 12, 1999, the Federal Crop Insurance Corporation (FCIC) published a proposed rule in the Federal Register providing the procedures and limitations for paying dividends, rebates, and premium reductions to policyholders participating in the Federal crop insurance program. The comment period ended July 12, 1999.

Over 800 comments on issues specific to the proposed rule were received from approximately 190 commentators. The majority of comments were made by independent insurance agents. Comments were also submitted by farmers, Members of the Congress, insurance departments, farm cooperatives and associations, financial institutions, insurance companies and other private firms.

Several legislative bills pending Congressional action address these issues also. Because the pending legislation may impact provisions of the proposed rule, we have delayed publication of the final rule until the outcome of the legislation is known.



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The Risk Management Agency Administers and Oversees
All Programs Authorized Under the Federal Crop Insurance Corporation

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Concerns have recently been raised with the Risk Management Agency (RMA) that some organizations are implementing provisions of the proposed rule prior to its publication as a final rule. RMA reminds everyone involved in the delivery of the Federal crop insurance program that the Standard Reinsurance Agreement (SRA) specifically prohibits rebates and rebating of any kind. The terms of the SRA remain in effect until the proposed rule is published as a final rule or Congress takes action on this matter.

Dividends and patronage refunds are normal business practices for mutual, cooperative, and certain other insurance companies as well as for certain kinds of cooperatives such as insurance-buying groups and agricultural lenders. As described in prior manager's bulletin, however, if dividends and patronage refunds are guaranteed to potential policyholders in advance, or are made contingent upon the continued purchase of crop insurance policies, or the payments are made only to policyholders, such inducements are prohibited rebates.

ACTION:

RMA strongly advises that any marketing activity, as described in this memorandum, which may have the potential to disguise rebating schemes cease and desist immediately until RMA has published its regulations governing such practices.

If you should have any questions, please contact your Reinsurance Services Division account executive.