



United States Department of Agriculture

Farm and Foreign Agricultural Services
Risk Management Agency

BULLETIN NO.: MGR-00-018.1

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

FROM: Kenneth D. Ackerman /s/ Ken Ackerman 6-30-00
Administrator

SUBJECT: Revised Amendment No. 1 to the 2000 Aquatic Crop Reinsurance Agreement

BACKGROUND:

During the conference call with the crop insurance industry on Friday, June 23, 2000, questions and concerns were raised regarding Amendment No. 1 to the 2000 Aquatic Crop Reinsurance Agreement (ACRA), effective for the 2001 reinsurance year, and the pending regulations required to implement the Agriculture Risk Protection Act of 2000 (2000 Act).

DISCUSSION:

The question was raised regarding what sanctions the Risk Management Agency (RMA) will impose if Companies do not report the name and identification number of the policyholder and all persons with a substantial beneficial interest in the policyholder, the agricultural commodity insured, and the coverage level and price election chosen by the policyholder by the Saturday for the week containing the 30th day after sales closing date in accordance with section V.B.11. of the SRA as amended by Amendment No. 1.

Considering the significant number of system changes required to implement provisions of the 2000 Act, RMA will not initiate any sanctions for the late reporting of the required information for fall planted crops during the 2001 reinsurance year. Beginning with any crop that has a sales closing date after January 1, 2001, the administrative and operating expense (A&O) subsidy for any eligible crop insurance contract will be reduced by one percentage point whenever the information has not been accepted due to the failure of the Company to timely submit accurate



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information, or whenever the elected level of coverage or price election is revised after the transaction cut-off date for the week containing the 30th day after the sales closing date. The A&O subsidy will be reduced by a total of 2 percentage points if the required information is first accepted or revised after this transaction cut-off date, but prior to the transaction cut-off date for the week containing the 60th calendar day, and a total of 3 percentage points if accepted or revised thereafter. RMA may determine, in consultation with program shareholders, that remaining technical and systems related issues make this penalty unreasonable. The substantial beneficial interest in the policyholder has been deleted from this section as this information is not required by statute to be reported within these timeframes.

A concern was noted that section III.F. of Amendment No. 1 changes the definition of total premium and the question was asked whether this was the intent of Amendment No. 1.

Except for including the requirement that this disclosure appear on the Summary of Coverage, this language is identical to section III.F. of the 2000 ACRA. Total premium as defined by the Federal Crop Insurance Act, as amended, to include the risk subsidy and the administrative and operating expense subsidy. **Net book premium** is defined in the ACRA and this is the premium amount on which payments to Companies are based. Nothing in section III.F. affects the definition of net book premium.

As mentioned in the conference call, RMA will be discussing the new program requirements with our stakeholders to the maximum extent possible throughout the implementation of the 2000 Act. As soon as the Interim Rule regarding the new fee structure and actual production history (APH) changes have been published, RMA will send out the proposed APH procedures for your consideration.

Attached are two copies of the revised Amendment No. 1 dated June 29, 2000 (Rev.6/29/00), to the 2000 ACRA which must be executed for FCIC to provide reinsurance and subsidy in the 2001 and subsequent reinsurance years. Each copy must be signed as an original and submitted to FCIC at the address shown below via fax or overnight mail by close of business June 30, 2000. The Amendment should be signed by the person authorized by the Company's Board of Directors to enter into the ACRA.

OVERNIGHT MAIL:

USDA/Risk Management Agency
Reinsurance Services Division
E. Heyward Baker, Director
1400 Independence Avenue, SW
Room 6727-S, Stop 0804
Washington, DC 20250
Phone: (202) 720-4232
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Failure to execute the amendment by the requested submission date may terminate your ACRA as of the end of the 2000 reinsurance year (June 30, 2000).

Attachments(2):

DISPOSAL DATE: The expiration date is December 31, 2001.