



United States Department of Agriculture
Farm and Foreign Agricultural Services
Risk Management Agency

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To: All Reinsured Companies
All RMA Field Offices
All Other Interested Parties

From: Ross J. Davidson Jr., Administrator /s/ *Ross J. Davidson, Jr.*

Subject: Procedure for Transferring Crop Policies Written Under the 2003 Standard Reinsurance Agreement from American Growers Insurance Company, and Its Policy-Issuing Companies

BACKGROUND:

Due to the action taken by the Nebraska Department of Insurance with regard to the financial problems experienced by the American Growers Insurance Company, a wholly owned subsidiary of Acceptance Insurance Companies, Inc., it is necessary to transfer existing Federally-reinsured policies to other approved insurance providers (AIPs). The procedure for these transfers is described below. Additional guidance will be provided if necessary.

ACTION:

This procedure covers all Federally-reinsured policies written by American Growers Insurance Company and its policy-issuing companies (collectively called Growers) under any of the following 2003 reinsurance agreements: the Standard Reinsurance Agreement (SRA), the Aquacultural Standard Reinsurance Agreement (AqSRA), and the Livestock Price Reinsurance Agreement (LPRA):

- a. With sales closing dates between July 1, 2002, and November 30, 2002, including policies with extended sales periods (e.g., nursery, certain citrus trees) that were sold or renewed during this period and excluding raisin policies with a July 31, 2002, sales closing date (hereinafter the "2003 fall book of business");
- b. With sales closing dates between December 1, 2002, and June 30, 2003.



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A. Agents

Growers will notify its agents that all Growers policies must be placed with another AIP in accordance with this Bulletin. These agents will have the primary opportunity and responsibility to transfer policies included in Growers 2003 fall book of business and the 2003 remaining book of business.

B. 2003 Fall Book of Business

The transfer process for Growers policies for the 2003 fall book of business is described below.

1. Since the cancellation date has already passed, policies cannot be canceled for the 2003 crop year. Policies will be transferred without cancellation and the assuming AIP must send a confirmation of coverage/schedule of insurance with the new assuming AIP information.
2. Only the current agent of record will have the authority to transfer policies to another AIP. Agents may only transfer Growers policies once and only to one AIP.
3. The assuming AIP should make premium estimates of policies transferred, referencing its own similar policy premium amounts or using other similar estimation methods, to monitor the amount of premium that it has been approved to write in its Plan of Operation. If the assuming AIP has reached the limitations of the amount of insurance it may write, the AIP may request the approval of RMA to increase the amount of premium that can be written under terms of the applicable reinsurance agreement.
4. For the 2003 reinsurance year only, any policy transferred may be designated to the Assigned Risk Fund, without counting against the Assigned Risk Fund maximum cession limitations. For the 2004 and subsequent reinsurance years, the Assigned Risk Fund maximum cession limitation will apply.
5. All appointments of agents and the transfer of their associated policies (B.1.) to a new AIP must be completed by January 31, 2003.
6. The assuming AIP must designate all policies transferred to a reinsurance fund by March 8, 2003. Any policies not designated by March 8, 2003, will be placed in the Commercial Fund in accordance with the SRA.
7. The reductions in administrative and operating expense subsidy contained in section V.B.11 of the SRA will not apply to the 2003 fall book of business.
8. The reductions in administrative and operating expense subsidy contained in section III.G. of the SRA will not apply to the 2003 fall book of business.
9. For tracking and control purposes, the assuming AIP's must transmit the following information to RMA via the Data Acceptance System (DAS):
 - a. The previous Growers' policy number identified on the Type 9 and Type 14 records.
 - b. A late processed flag of 8 must be included on the Type 14 record for these policies.

10. The assuming AIP may rely on all information contained on Growers policy forms (both original and electronic) to establish policies within its systems whether or not such information has been processed through RMA. RMA will work with AIP's to facilitate the availability of information for Growers policies to assist in the transfer process.
11. Unless the change was submitted to the agent prior to the applicable sales closing date, the following policy elections may not be changed during the transfer process:
 - a. Coverage level;
 - b. Price election;
 - c. Plan of insurance;
 - d. Coverage options and endorsements; and
 - e. Other elections such as yield adjustments.
12. The assuming AIP must honor and timely process approved written agreements, assignments of indemnities, transfers of right to indemnities and exclusions (e.g., high-risk land and hail/fire exclusions). Growers and RMA will provide all available evidence of such documents or agreements upon request and the assuming AIP will be entitled to fully rely upon such evidence. Agents and producers will be responsible for informing the AIP of any Growers' payment agreements in force.
13. With respect to Growers Livestock policies, the liability associated with any Livestock Risk Protection (LRP) and Livestock Gross Margin (LGM) policies in effect as of November 22, 2002, will remain with Growers. If a producer wishes to insure additional livestock under either LRP or LGM during the remainder of the crop year, a new policy must be written with a new AIP. RMA will lift the duplicate-policy block in its data systems to allow livestock policies to be written by the new AIP.

C. 2003 Remaining Book of Business

The transfer process for the Growers 2003 remaining book of business is described below.

1. Producers can transfer their policies to any AIP by the sales closing date for the insured crop. In accordance with section II.A.2 of the SRA, the AIP must accept all eligible producers who transfer their policies to the AIP.
2. Since the cancellation dates for the 2003 remaining book of business have not passed, all policies included in the 2003 remaining book of business must be transferred in accordance with the procedures outlined in Section 4, Par. C(9) of the 2003 Crop Insurance Handbook (CIH). Growers will continue to handle transfer requests.
3. Policies must be transmitted to RMA with the previous Growers policy number identified on the Type 14 record for tracking and control purposes. Such policy number will be provided to the assuming AIP from Growers and/or the agent. For policies that were transferred to Growers for the 2003 crop year, the one-transfer limitation will not apply.

4. All deadlines and provisions of the 2003 SRA apply, including fund designations and the transmission of all data to RMA.
5. The assuming AIP should make premium estimates of policies transferred, referencing its own similar policy premium amounts or using other similar estimation methods, to monitor the amount of premium that it has been approved to write in its Plan of Operation. If the assuming AIP has reached the limitations of the amount of insurance it may write, the AIP may request the approval of RMA to increase the amount of premium that can be written under terms of the applicable reinsurance agreement.

D. Process for policies not voluntarily transferred to a new AIP

1. Any Growers policy not transferred under section B. above will be assigned by RMA on a random basis, on or about March 1, 2003, to an AIP that is currently writing the plan of insurance in the applicable State.
2. Any Growers policy not transferred under section C above will be assigned by RMA on a random basis, on or about May 1, 2003, for the remaining book of business, to an AIP that is currently writing the plan of insurance in the applicable State.
3. If a Growers policy covers more than one crop, all crops under the policy not previously transferred will be assigned to the same AIP. If other policies for that producer exist, RMA will attempt to assign all such policies with the same tax ID to the same AIP.
4. RMA will electronically notify AIPs of the transfer and the assuming AIP must advise the policyholder of the action.
5. AIPs must accept the transfer unless the premium would exceed the amount that the AIP is approved to write. The assuming AIP should make premium estimates of policies transferred, referencing its own similar policy premium amounts or using other similar estimation methods, to monitor the amount of premium that it has been approved to write in its Plan of Operation. AIPs will have 5 business days to notify RMA if they are unable to accept an assigned transfer because the premium would exceed the AIP's underwriting capacity. If the assuming AIP has reached the limitation of the amount of insurance it may write, the AIP may request the approval of RMA to increase the amount of premium that can be written under terms of the applicable reinsurance agreement.
6. AIPs will be allowed to designate assigned policies to a reinsurance fund by the transaction cut-off date for the week containing the 30th day after the transfer date from RMA.
7. There will be no reduction in administrative and operation expenses (A&O) as contained in section V.B.11 of the SRA. The reductions in administrative and operating expense contained in section III.G. of the SRA will apply using the later of the transaction cut-off date for the twelfth week after the applicable acreage reporting date or the transaction cut-off date for the twelfth week after the transfer date from RMA.

E. Notices of loss and claims for indemnity.

1. Growers will continue to service:
 - a. Its crop and aquaculture policies for the 2002 reinsurance year.
 - b. Its crop, and aquaculture policies for the 2003 reinsurance year until transferred in accordance with sections B, C or D above (except as described in E. 2).
 - c. Its livestock policies for the 2003 reinsurance year.
2. In cases where claims for all units within the crop policy have been finalized for the 2003 reinsurance year, Growers will complete processing these claims for these policies.
3. In cases where claims have NOT been finalized for ALL units within the crop policy for the 2003 reinsurance year, the crop policy must be transferred to an assuming AIP who will be responsible for all claims and related service activities on such crop policies.

F. Insurance premiums and fees due for the 2002 reinsurance year.

1. Insureds must timely pay all premiums and fees due under Growers policies for all years, including the 2002 reinsurance year to Growers.
2. Insureds will be ineligible to continue to participate in the Federal crop insurance program if premium and fees are not paid by the applicable termination date.
3. Ineligibility will continue for subsequent years until the debt is paid in accordance with 7 C.F.R. part 400 subpart U and section 2(e) of the Common Crop Insurance Policy Basic Provisions.
4. Agents are to be reminded that they may be held liable by policyholders who may be declared ineligible because of the agent's failure to submit, in a timely manner, all premiums and fees received from producers on behalf of Growers.

G. Administrative & Operating Subsidies

Except in circumstances covered under section E.2. of this bulletin, 2003 reinsurance year A&O subsidies will be paid in full to the assuming AIP. Agent commissions will be paid by the assuming AIP under the assuming AIP's commission schedule.