



United States
Department of
Agriculture

Risk
Management
Agency

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Washington, DC
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BULLETIN NO: MGR-05-009.1

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

FROM: Ross J. Davidson, Jr. /s/ *Ross J. Davidson, Jr.* 9/1/2005
Administrator

SUBJECT: Risk Management Agency (RMA) Participation in Large Claims

BACKGROUND:

Manager's Bulletin MGR-05-009, issued June 2, 2005, provided guidance to approved insurance providers (AIP) for providing notices of potential claims where the production loss or indemnity are likely to exceed \$500,000. Questions remain as to the extent of assessments, including field visits, that AIPs may conduct to verify that notice of potential claim to the Risk Management Agency Regional Office (RMA RO) is required. There is confusion regarding whether the provision that states that the AIP cannot conduct a loss adjustment activity without first coordinating such activity with the RO precludes the AIP from conducting field reviews to determine whether losses are likely to exceed \$500,000. As a result, most AIPs are not conducting these activities and RMA has been receiving notices where it is impossible for RMA to evaluate whether it should participate in the loss adjustment process. This bulletin clarifies what activities AIPs may perform in determining whether there is a likelihood of the requisite amount of loss and provides further guidance concerning RMA's decision to opt out of participation in a potential large claim.

ACTION:

1. To fulfill its responsibility to only report those claims that are likely to exceed \$500,000, the AIP must conduct certain activities to determine that a notice of potential claim will likely result in a production loss or indemnity exceeding \$500,000. These activities may include field visits and communications with the insured producer or others to collect loss and cause of loss information. Appraisals may be performed to ascertain an estimate of the production potential.
2. However, during this screening process, the AIP shall not:
 - a. Make any actual determinations of the amount of loss;
 - b. Release the acreage for other use;
 - c. Reach an agreement with the insured as to appraisals, the amount of uninsured causes, production to count and the amount or cause of loss; or
 - d. Allow the loss adjuster or the insured to sign any production worksheets or appraisal worksheets.



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3. The screening process could involve collecting certain information that supports or confirms a cause of loss has occurred. This information may be collected from agricultural experts as necessary prior to notifying the RMA RO.
4. All documentation relied upon by the AIP to conclude that the claim is likely to exceed \$500,000, which may include all unsigned documents used in the process of making the assessment, any third-party documents or information collected by the AIP and any other information used by the AIP to determine whether the loss reached the required threshold must be forwarded to the RMA RO upon their request.
5. The RMA RO will review this information and documentation as well as any other information at their disposal to determine whether the large claim notice should be accepted for RMA participation.
6. AIPs should involve its field supervision early in the process to ensure that all requirements of MGR-05-009 and MGR-05-009.1 are met and being followed. If RMA determines that all requirements of MGR-05-009 and MGR-05-009.1 have not been met, RMA will take the appropriate action as authorized under the SRA.
7. If RMA opts out because the potential claim will be less than \$500,000, the AIP must provide an additional notice when future damage occurs or becomes known that may cause the potential claim to exceed \$500,000.

DISPOSAL DATE:

This bulletin will remain in effect until rescinded.