



United States  
Department of  
Agriculture

Risk  
Management  
Agency

1400 Independence  
Avenue, SW  
Stop 0801  
Washington, DC  
20250-0801

February 10, 2005

**BULLETIN NO: MGR-05-002**

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

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

**SUBJECT:** 2005 Financial Assistance Program for Producers in Targeted States

**BACKGROUND:**

Section 524(b) of the Federal Crop Insurance Act (the Act) authorizes the Secretary to provide financial assistance to producers in fifteen targeted States. Section 769 of the Consolidated Appropriations Bill of 2004 amended the Act to allocate \$5 million to conduct risk management related activities to be carried out through the Risk Management Agency (RMA). The program is available to producers in Connecticut, Delaware, Maine, Maryland, Massachusetts, Nevada, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Utah, Vermont, West Virginia, and Wyoming.

To assist producers in reducing production, price, or revenue risks, RMA will provide financial assistance to producers purchasing crop insurance policies in the States listed above. Financial assistance will apply to that portion of a producer's premium remaining after the premium has been reduced by the subsidy authorized in section 508(e) of the Act. Pursuant to section 524(b) of the Act, funding will be provided through the Commodity Credit Corporation (CCC).

**ACTION:**

1. Financial assistance will be available for all producers purchasing eligible crop insurance policies in the States of Connecticut, Delaware, Maine, Maryland, Massachusetts, Nevada, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Utah, Vermont, West Virginia, and Wyoming.
2. Eligible policies are all 2005 crop year buy-up policies (except as excluded in paragraphs 3 and 8) with sales closing dates on or after the date of issuance of this bulletin, and with acreage reporting dates prior to September 30, 2005. For nursery policies, financial assistance will be available for only those policies for which the



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- signature date of the policy is on or after the date of this bulletin, and which meets all other nursery rules and regulations.
3. Policies not eligible for financial assistance include all catastrophic risk protection (CAT) policies and those insured under the Livestock Risk Protection (LRP) and Livestock Gross Margin (LGM) plans of insurance.

RMA will provide financial assistance for all eligible policies as shown in the table below.

<b>Coverage Level</b>	<b>Financial Assistance Factor</b>
50 (buy-up only)	.05
55	.05
60	.10
65	.10
70	.15
75	.15
80*	.15
85*	.15
90*	.15

\* Where available

4. No portion of any administrative fee will be paid by RMA under this financial assistance program.
5. Financial assistance payments will be limited such that the total of subsidies and financial assistance payments does not exceed 90 percent of the total premium (also referred to as base premium by RMA) for any policy.
6. RMA has limited funding (\$5 million) available. If participation in the financial assistance program results in total expenditures that exceed this amount, then RMA will reduce the financial assistance factors on a pro rata basis for all producers participating in the program, which will be reflected in producers' billing statements.
7. No additional application is necessary to qualify for this financial assistance program. Financial assistance will be applied automatically to all policies which meet the eligibility criteria outlined in this bulletin.
8. Policies insured by written agreement are eligible for financial assistance if the deadline for submission of the request for written agreement (as outlined in section 3D of the 2005 Written Agreement Handbook) is on or after the date of issuance of this bulletin, and if such policies meet the remaining eligibility criteria outlined in this bulletin.

For premium calculation and data submission purposes, reinsured companies are directed to use the field identified as "Additional Subsidy" to apply the financial assistance for all applicable record types. The calculation of Producer Premium is as follows:

Total Premium x Subsidy Rate = Dollar Amount of Subsidy

Total Premium – Subsidy = Preliminary Producer Premium

Preliminary Producer Premium x Financial Assistance Factor = Financial Assistance Dollar Amount\*

Preliminary Producer Premium – Financial Assistance Dollar Amount\* = Producer Premium

For example, a producer purchases a policy at the 65 percent coverage level with a total premium of \$1,000. The premium subsidy rate is 59 percent. The dollar amount of premium subsidy is \$590 ( $\$1000 \times .59$ ). The preliminary producer premium is \$410 ( $\$1,000 - \$590$ ). The amount of financial assistance would be \$41 ( $\$410 \times .10$ ). The producer premium owed is \$369 ( $\$410 - \$41$ ).

9. For billing purposes, all reinsured companies will deduct the amount of financial assistance from the producer premium on the billing statements for all producers receiving financial assistance.
10. In order to determine expenditures timely and accurately, all reinsured companies should submit all information through the Data Acceptance System (DAS) for Appendix III record types 11 and 13 within 30 days of the applicable acreage reporting date.
11. All reinsured companies must submit to RMA by the September accounting cut-off date a list of all policies receiving financial assistance for which Appendix III information was not accepted by DAS. This list must contain the policy number, the plan of insurance, and the amount of financial assistance (Additional Subsidy) for each such policy. Please submit this list electronically in Microsoft Excel format to Lee Z. Ziegler, Economist, Reinsurance Services Division at [lee.ziegler@rma.usda.gov](mailto:lee.ziegler@rma.usda.gov).
12. Section 524(b)(3) of the Act provides that the total amount of payments made to a person (as defined in section 1001(5) of the Food Security Act (7 U.S.C. 1308(5))) for any program authorized under Section 524(b) may not exceed \$50,000. RMA will coordinate with other USDA agencies as necessary to apply this limitation.

- \* Note the Financial Assistance Dollar Amount will be reported to RMA as "Additional Subsidy" in accordance with Appendix III.

**DISPOSAL DATE:**

This bulletin may be disposed of after December 31, 2005.