



United States  
Department of  
Agriculture

Risk  
Management  
Agency

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

June 10, 2004

**TO: All Reinsured Companies  
Applicable Trade Associations**

**RE: Final 2005 Standard Reinsurance Agreement (SRA) and  
Appendices I, II, and IV**

The Risk Management Agency (RMA) is releasing the attached final 2005 SRA along with three Appendices to the Agreement. This SRA maintains RMA's commitment to ensuring the integrity of the crop insurance program, and providing for the effective and efficient use of taxpayer dollars. In addition, RMA made every effort to address the continuance of a viable and effective delivery system to maintain service to America's agricultural producers. Included is the following:

Appendix I, Procurement Integrity, Drug Free Workplace and Anti-Lobbying Statements;

Appendix II, 2005 Plan of Operations; and

Appendix IV, (formerly Manual 14).

Appendix III (formerly Manual 13) is being updated to reflect the final SRA and comments to the May 6 draft, and will be released early next week.

In developing the final 2005 SRA, RMA again carefully considered each comment generated from the third draft. RMA also held a productive meeting with attorney's from two of the companies who agreed in principle to the third draft, as well as two interested trade associations. We thank all who have provided constructive suggestions to improve each draft. The final SRA is a much better document as a result of this input.

For the most part, changes in the final SRA are relatively minor or technical in nature. Therefore, we have not scheduled a formal conference call to highlight the changes. However, we are certainly available to meet or talk with any company or trade association concerning any questions as soon as possible. Please contact Sally Relyea ([sally.relyea@rma.usda.gov](mailto:sally.relyea@rma.usda.gov)) if you would like to schedule a time to discuss the SRA.



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## **Next Steps**

Each company who intends to write new business for the 2005 reinsurance year must submit a signed copy of the SRA to David Hatch no later than COB June 30, 2004. In the meantime, RMA will continue to review the financial information provided by each company as part of completing the Plan of Operations review process. RMA will notify each company of tentative approval to participate in the program for the 2005 reinsurance year as soon as possible after receiving the signed 2005 SRA and approving the company's financial information. RMA will then work with the company to obtain the remaining Plan of Operations materials and reach final approval as soon as possible. A complete list of the tentatively approved companies will be posted on the RMA website on or shortly after July 1, 2004, and will be updated periodically as needed.

If a company does not execute a 2005 SRA, it cannot write new business. Additionally, the company must begin providing notice of cancellation to each policyholder no later than 30 days prior to the applicable cancellation date. This time is necessary to allow agents and eligible producers to pursue an orderly transfer of business to an alternative insurance provider.

## **Highlights of Changes:**

The following provides some general changes made to the final SRA. Enclosed is a compare document to help you identify the changes made from the third draft.

## **Standard Reinsurance Agreement**

RMA:

- Clarified several definitions including affiliate, material, cooperative association and settlement;
- Eliminated one definition and added a definition of Plan of Operations;
- Increased the assigned risk cession limits for Colorado, Oregon and Wyoming to 75%;
- Clarified the initial large claims communication process between the company and RMA;
- Clarified RMA's liability for its actions involving large claims;
- Clarified several provisions in the reinsurance section including fund designations and reinsurance documentation;

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- Clarified when the payment of A&O subsidies would occur;
- Modified several provisions involving conflict of interest principally through introducing the term “person” and applying “affiliate” where appropriate;
- Modified several provisions involving denial of reinsurance to clarify when a denial is triggered; and
- Introduced a provision that clarifies the State’s role in enforcing the requirements of the Federal crop insurance program.

### **Appendices**

Appendix I was not revised.

Appendix II was revised to clarify required reinsurance information. The exhibits will be sent under separate cover early next week.

Appendix IV was revised to include a definition of “file review”.

We look forward to receiving a signed SRA from each company by June 30<sup>th</sup>, 2004 and completing the remaining portion of the Plan of Operation approval process as soon as possible thereafter. Thank you again for your cooperation, comments and input in developing this SRA.

Sincerely,  
/s/

Ross J. Davidson, Jr.  
Administrator

cc: JB Penn, Undersecretary for FFAS  
Floyd Gaibler, Deputy Undersecretary for FFAS  
Keith Collins, FCIC Board Chairman  
Byron Anderson, Associate Administrator for RMA  
David C. Hatch, Associate Administrator for RMA  
Tim B. Witt, Deputy Administrator for RMA

### Enclosures

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