

2016 Appendix II - Plan of Operations Guidance

The purpose of this document is to provide guidance regarding the Risk Management Agency's (RMA) information requirements and expectations as it pertains to selected Plan of Operations (Appendix II) exhibits. The guidance is divided into two main sections:

- A. General Submission Guidelines
- B. Plan of Operations Guidelines for Specific Exhibits

The Company will provide the Plan of Operations Exhibits for the Standard Reinsurance Agreement (SRA) and Livestock Price Reinsurance Agreement (LPRA), as applicable, for the 2016 Reinsurance Years (RY) in compliance with this guidance. If you have any questions, please contact David L. Miller, Director, Reinsurance Services Division at (202) 720-9830.

SECTION I. GENERAL SUBMISSION GUIDELINES

- A. Unless an Approved Insurance Provider (AIP) is specifically notified to the contrary, RMA will no longer require AIPs to submit the following items as part of the annual Plan submission:
 - i. Exhibit III.a.1 – Statutory Annual Statements
 - ii. Exhibit III.a.2 – Statutory Quarterly Statements
 - iii. Exhibit III.a.3 – Management Discussion and Analysis
 - iv. Exhibit III.a.4 – Actuarial Opinion of Reserves
 - v. Exhibit III.a.5 – NAIC IRIS Ratios
 - vi. Exhibit III.a.6 – NAIC Insurance Expense Exhibit
- B. RMA requires:
 - i. Each item listed in Appendix II (for either the SRA or LPRA) submitted electronically. The only exceptions are the Exhibits listed above under A.
 - ii. All Plan exhibits submitted as individual files.
 - iii. The following exhibits (SRA) submitted in spreadsheet format (“.xls”) to facilitate RMA’s quantitative evaluation process: III.f.1-3, III.g.1-3, III.h.1-3, and III.j.1
 - iv. The following exhibits (LPRA) submitted in spreadsheet format (“.xls”): III.f.1-3, III.g.1-3, III.h.1-3, III.j.1 (if not already submitted under the SRA);
 - v. and I.a, I.b, I.c, V.a, V.b, V.c, submitted as one spreadsheet as in the template provided (paragraph E provides more information on the template and further instructions)
 - vi. All other exhibits (either the SRA or LPRA) should be submitted as PDF files.
- C. RMA requires all exhibits to be submitted by April 1st in order to be evaluated for an SRA or LPRA for reinsurance year 2016. Exceptions to the April 1st deadline are the GAAP statements listed below:
 - i. Controls or management recommendations received from an independent auditor regarding the AIP, by June 1st

- ii. MGAs must submit Annual audited GAAP financial statements for the previous calendar or fiscal year, by June 1st
 - iii. MGAs must submit Controls or management recommendations received from an independent auditor regarding the MGA, by June 1st
 - iv. If the AIP prepares in the normal course of business annual audited GAAP financial statements, they are required to be submitted by June 1st
 - v. MGAs must submit Financial Statements within 45 days following the last day of the quarter, and 75 days following the last day of the year, whether it is calendar year or fiscal year
- D. RMA requires the following naming convention for all submitted files:
- i. AIP’s DAS reporting organization code.
 - ii. Reinsurance year, i.e. 2016.
 - iii. “EX” for SRA exhibits or “LEX” for LPRA exhibits.
 - iv. Exhibit number (ex. 1a)
 - v. Submission date in YY-MM-DD format.
 - vi. A period followed by the file type, i.e. “pdf” or “xls”.

Examples of proper file names for a fictitious AIP with “RO” as the Reporting Organization Code:

RO 2016 EX 1a YY-MM-DD.pdf	<i>(SRA, Exhibit I.a)</i>
RO 2016 LEX 1a YY-MM-DD.pdf	<i>(LPRA, Exhibit I.a)</i>
RO 2016 EX 3a1 YY-MM-DD (Q1).pdf	<i>(SRA, Exhibit III.a.1., first quarter financial statements)</i>
RO 2016 EX 3f1 YY-MM-DD(previous).xls	<i>(SRA, Exhibit III.f.1.)</i>
RO 2016 EX 3f2 YY-MM-DD(current).xls	<i>(SRA, Exhibit III.f.2.)</i>
RO 2016 EX 3f3 YY-MM-DD(approval).xls	<i>(SRA, Exhibit III.f.3.)</i>

- E. Template provided for exhibits I.a., I.b., I.c., V.a., V.b., V.c.
- i. AIPs will be provided a template for exhibit I.a., I.b., I.c., with information that is already included in RMA’s databases. AIPs will update the exhibit(s) if there has been a change from the information provided for the prior reinsurance year. (i.e. change of street address, deletion or addition of policy issuing company, etc)
 - ii. Exhibit V.a – the maximum premium requested
 - iii. Exhibit V.b. – in the participating states column (B), use an “x” to denote if you want RMA to accept and process policies in those states. Leave cells blank for the states where you do not want policies accepted and processed by RMA. In Assigned Risk Fund Column (C) & Commercial Fund Column (D) specify estimated premium assigned to each fund for states you have determined to be participating. If you do not have any estimated premium at this time for a participating state enter “0”.
 - iv. Exhibit V.c. – the states that you designate as participating in exhibit V.b., must have a corresponding retention percentage in the Commercial Fund Column (B).

SECTION II. PLAN OF OPERATIONS GUIDELINES FOR SPECIFIC EXHIBITS

The AIPs must review with particular care the following general information and exhibits to ensure full compliance with the SRA Appendix II:

Exhibit III.f.1-3 – Agent Compensation Template

The Agent Compensation template reflects the A&O subsidy (excluding the additional A&O subsidy paid when the state loss ratio exceeds 120 percent), processing payments, agent compensation less profit sharing, and profit sharing. RMA requires AIPs complete the Agent Compensation template, which reflects:

1. incurred for the previous reinsurance year (ended June 30 of last year);
2. incurred plus estimated for the remaining of the current reinsurance year; and
3. estimated for the upcoming reinsurance year for which the AIP is seeking approval.

Exhibit III.g.1-3 – Loss Adjustment Expense (LAE) Template

RMA requires AIPs complete the LAE template and the required attachments the previous, current, and approval reinsurance years. The LAE template reflects the AIP's total loss adjustment expenses:

1. incurred for the previous reinsurance year (ended June 30 of last year);
2. incurred plus estimated for the remaining of the current reinsurance year; and
3. estimated for the upcoming reinsurance year for which the AIP is seeking approval.

Exhibit III.h.1-3 – Total Expense Template

Expenses are to be prepared according to the National Association of Insurance Commissioners (NAIC) Annual Statement Instructions. RMA requires AIPs complete the Total Expense template, which reflects crop-related expenses and revenues, by reinsurance year, with estimates based on premium volume:

1. incurred for the previous reinsurance year (ended June 30 of last year);
2. incurred plus estimated for the remaining of the current reinsurance year; and
3. estimated for the upcoming reinsurance year for which the AIP is seeking approval.

Exhibit IV.k. – Identification of Cooperative or Trade Associations

To ensure compliance with the SRA, Section II.a.5., which prohibits a company and its affiliates from providing a rebate except as authorized by the Federal Crop Insurance Act (Act). RMA requires AIPs and MGAs to completely review their business operations, transactions, and those of any affiliates to ensure the appropriate disclosures are made as required in Exhibit IV.k., to qualify to provide a payment to producers through a cooperative or trade association as authorized by section 508(b)(5)(B), of the Act.

Pandemic Planning Checklist part of exhibit VI.(d)

AIPs must submit a current, updated Business Pandemic Influenza Planning Checklist. AIPs must provide this progress report indicating steps that have been taken to increase readiness since last year's submission. The completed checklist must be submitted as: RO 2016 Pandemic YY-MM-DD.pdf