

COM-17-003

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Date

July 19, 2017

To

All Approved Insurance Providers

All Risk Management Agency Field Offices

All Other Interested Parties

From

Heather Manzano, Deputy Administrator for Compliance /s/ Heather Manzano

Subject

Standard Reinsurance Agreement Appendix IV Reviews

Background

Approved Insurance Providers (AIPs) are required to conduct reviews of eligible crop insurance contracts (ECICs) as described in Appendix IV of the SRA. These reviews are intended to address suspected anomalies and program integrity concerns, or to assure that a company's internal control processes are operational and effective. The required reviews include Data Mining Reviews, Individual Policy Reviews, Conflict of Interest Reviews, Consecutive Loss Adjuster Reviews, \$200,000 Indemnity Reviews, and Rainfall Index and Vegetation Index Reviews.

The review requirements implicitly assume a single ECIC (and potential indemnity payment) for any insured commodity. However, new insurance features allow producers to purchase multiple insurance products for a given commodity, each covering a different aspect or layer of risk. For example, a producer may combine Revenue Protection with Margin Protection or the Supplemental Coverage Option and receive an indemnity payment from both insurance products. For this situation, AIPs have asked whether the two indemnity payments should be combined for purposes of determining whether a \$200,000 Indemnity Review is required.

Questions of this nature are being raised with growing frequency because of the increasing scope of the crop insurance program.

In response, the Risk Management Agency (RMA) has developed the attached review matrix. The review matrix is intended to be a comprehensive guide to the reviews potentially applicable in any given situation. It also indicates the specific elements of an inspection that are required for these various situations. To illustrate use of the review matrix, consider the example above in which a producer purchased Revenue Protection combined with Margin Protection for the insured commodity. Per the review matrix, the two insurance products would be subject to separate \$200,000 Indemnity Review requirements, i.e., the two indemnities would not be summed to determine whether a \$200,000 Indemnity Review was required.

Action

The attached review matrix is being provided as AIPs official guidance for program review requirements as described in Appendix IV of the SRA. This Informational Memorandum and the attached review matrix do not change existing AIP program review responsibilities. Rather, they clarify application of the review requirements, particularly for situations that did not exist when Appendix IV was drafted.

As clarification, an Individual Policy Review as described in Appendix IV, section III(b)(2), is a review of any individual ECIC (or ECICs) specifically assigned and denoted as such by RMA. The trigger for an Individual Policy Review is the specific notification by RMA to an AIP to conduct a review and denoted as such in email, letter, or similar correspondence providing the instruction.

When conducting a review of AIP operations, such as an AIP Performance Review, RMA will base its determination of whether the AIP has fulfilled its program review responsibilities by reference to the attached review matrix.

Any questions regarding interpretation or application of the review matrix should be directed to Kent Lanclos, Director – Business Analytics Division, by phone 202-205-3933 or by email kent.lanclos@rma.usda.gov.

DISPOSAL DATE:

Until modified or rescinded.

ATTACHMENT: [Review Matrix](#)