

Escrow Agreement With Reinsured Company
Plan of Operation
Section IV. Exhibit h.1.B

The Federal Crop Insurance Corporation ("FCIC") and _____ ("Company") hereby agree that an interest-bearing escrow account ("Escrow Account") may be established at a bank selected by the Company ("Bank") for the purpose of facilitating the payment of loss indemnities to insureds under a policy of insurance issued by the Company and reinsured by FCIC under the Standard Reinsurance Agreement and Livestock Price Reinsurance Agreement ("SRA/LPRA").

The Bank must:

1. enter into an Escrow Agreement with FCIC;
2. post collateral as required by 31 C.F.R. § 202 in the amount directed by FCIC; and
3. be a member of the Fed Wire System.

The Company is responsible for the payment of all Bank charges and fees related to or arising from the Escrow Account.

The Company hereby agrees that it will separately establish and maintain with the Bank an operating account ("Loss Account") to be used exclusively for clearing the payment to policyholders of loss indemnities subject to reinsurance under the SRA/LPRA. The Company specifically acknowledges and agrees that it is prohibited from paying any other amount from the Loss Account. If the Company pays any amount other than as permitted hereunder from the Loss Account, FCIC may, in its sole discretion, immediately terminate this Agreement and the Escrow Account in addition to exercising any other remedy available at law or in equity. The Company must otherwise maintain the Loss Account upon such terms and conditions as the Bank and the Company may agree.

The Company will make indemnity payments as permitted hereunder from the Loss Account in accordance with the SRA/LPRA. The Company will submit to FCIC such information, and documentation that FCIC may request for certification both to the accuracy of the claim and assurance that payments will be issued to producers within three business days of submission of the funding request. FCIC will, within three business days of receipt of said evidence (if said evidence is in order) initiate the procedure to cause to be deposited into the Escrow Account an amount not to exceed the net amount of the indemnity payments reflected by the evidence submitted by the Company. Evidence submitted by the Company will consist of at least a certified list of payments issued or to be issued showing check/payment number, date of issuance, payee, amount, and policy number.

To the extent sufficient amounts have been deposited into the Escrow Account and are not subsequently withheld by FCIC, upon presentation to the Bank for payment of permitted indemnity payments, FCIC will, in accordance with the terms and conditions of the Escrow Agreement, cause the Bank to affect a transfer of funds from the Escrow Account to the Loss

Escrow Agreement With Reinsured Company (Cont'd)

Account in an amount not to exceed the amount of such payments. If there is a shortfall of funds in the escrow account, it is the Company's responsibility to deposit funds to cover any shortages. The Bank will submit to the Company, at least each month, a copy of the Escrow Account bank statement for the Company to utilize in reconciliation of the Escrow Account. The cut off dates for the Escrow Account and the Loss Account will be identical.

On a monthly basis, the Company agrees to furnish FCIC an electronically certified accurate report of reconciliation ("reconciliation") of the Loss Account and the Escrow Account as required in Appendix III. Copies of the Loss Account monthly payment register and other such documentation to support the reconciliation will be maintained by the Company at all times at its financial headquarters for review and audit by FCIC. The reconciliation must be submitted to FCIC within 20 business days of the cut off date of the Bank Statements and is in addition to the Monthly Settlement Reports required by the SRA/LPRA.

FCIC may subsequently deposit to or withhold payments from the Escrow Account in a manner consistent with such reconciliations, but such deposits or withholdings will in no event be construed as a waiver of any other rights or remedies that FCIC may otherwise possess.

On a monthly basis the escrow funded amount will be reconciled with the escrow loss data accepted on the Monthly or Annual Settlement Report. Any difference in the escrow funded amount and the losses validated by FCIC will be refunded monthly by the Company to FCIC via electronic fund transfer.

It is expressly agreed that funding of the Escrow Account by FCIC is in keeping with its primary responsibility of payment to the insured and is not a waiver of any right of FCIC of offset or any other method of collection or contract enforcement under the SRA/LPRA.

This agreement may be terminated at any time after pending indemnity payments (payments, which have been issued by the Company prior to the time notification of termination has been received by the Company) clear, by either party by written notice to the other party, but no such termination by the Company will be effective until FCIC receives written acknowledgment of such termination together with a remittance of all principal and accrued interest in the Escrow Account from the Bank.

Representatives of the United States General Accounting Office and United States Department of Agriculture, including, without limitation, FCIC, Office of Inspector General, and Office of General Counsel, may inspect, review, and make copies of any and all records regarding the Loss Account and any and all transactions related thereto. The Bank is hereby authorized to afford any such personnel full access to all such records in the possession of the Bank.

Escrow Agreement With Reinsured Company (Cont'd)

Federal Crop Insurance Corporation

Company

Signature

Signature

Name

Name

Title

Title

Date

Date