



United States
Department of
Agriculture

Risk
Management
Agency

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INFORMATIONAL MEMORANDUM

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

FROM: William J. Murphy /s/ *William J. Murphy*
Deputy Administrator for Insurance Services

10/18/2006

SUBJECT: Approved Insurance Providers (AIPs) as Cooperatives
and Trade Associations

Background:

Section 508(b)(5)(B)(ii) of the Federal Crop Insurance Act (Act) states:

(ii) Treatment of Licensing Fees. —A licensing fee or other payment made by an insurance provider to the cooperative association or trade association in connection with the issuance of catastrophic risk protection or additional coverage to members of the cooperative association or trade association shall be subject to the laws regarding rebates of the State in which the fee or other payment is made.

Action:

Section 508(b)(5)(B)(ii) of the Act specifically refers to the situation where there are licensing fees or other payments made from the insurance provider to the cooperative association or trade association. To give this language its plain meaning, this means the exemption to the rebating prohibition in section 508(b)(5)(B) of the Act only applies when the AIP and the cooperative association or trade association are two separate and distinct entities. Consequently, RMA will not accept requests under Item 27 of Appendix II (Plan of Operations) of the SRA for approval to make payments to producers where an AIP, its managing general agent, or any of its policy issuing companies are identified as the cooperative association or trade association.



The Risk Management Agency Administers
And Oversees All Programs Authorized Under
The Federal Crop Insurance Corporation

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