



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: Craig A. Witt /s/ Craig A. Witt 11/4/2005
Director, Reinsurance Services Division

SUBJECT: Standard Reinsurance Agreement (SRA) – Appendix IV
\$100,000 Claims Reviews

Background:

Prior to the 2005 reinsurance year, Manual 14, *Guidelines and Expectations for the Delivery of the Federal Crop Insurance Program*, contained the requirement that reinsured companies review all claims over \$100,000. Further, this long standing requirement was arrived at through negotiations with reinsured company representatives and should be a well established business process.

Beginning with the 2005 reinsurance year, the requirement was incorporated into the Standard Reinsurance Agreement, and the Risk Management Agency (RMA) was recently asked to clarify instructions for completing the reviews as required in Appendix IV.

Section III.A.18a. and b. of Appendix IV states:

“The Company is responsible for reviewing claims in excess of \$100,000 and reporting the results to FCIC in the annual report.

(a) The review will consist of an examination of the information pertaining to the guarantee and loss, including the results of field inspections, to determine whether the claim can be substantiated. The Company must document verification of the reported information pertaining to the claim and the sources used for verification. (Emphasis added)

(b) If the review reveals errors in the claim, the Company must correct the claim or deny the claim.”



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

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Section I of Appendix IV defines verification as “the determination of whether information submitted is true and accurate through independent means in accordance with procedures. With respect to certifications, asking the provider of the information whether the information is true and accurate does not constitute verification. Information from independent third parties or independent documentation must be obtained.”

Action:

For Approved Insurance Providers (AIPs) to complete \$100,000 claims reviews and properly establish the guarantee and indemnity, records substantiating the Actual Production History (APH) certification and the claim for indemnity must be examined and verified for accuracy. The information related to the claim includes all documents related to the guarantee and production to count. AIPs must verify that all information on the documents is correct.

AIPs must review APH records in accordance with section 21 of the basic provisions which require the producer to maintain adequate records for review for three years after the end of the crop year in which such records were initially certified. Therefore, AIPs need only review the records certified within the last three years when verifying the guarantee inclusive of such records as identified in section 21(b)(1) and (2) of the basic provisions. If the records support the reported yields, other years in the database outside the retention period can be presumed to be correct, unless the AIP has knowledge or information indicating otherwise. If the records within the retention period fail to support any of the reported yields then all yields in the database should be rejected unless the producer has actual records for such yields.

Nothing in this memorandum changes, modifies, or otherwise amends any requirement in Appendix IV. This memorandum simply responds to questions asked by certain AIPs regarding the responsibilities of the AIPs under the provisions in section III.A(18)(a) and (b).

Because providing timely and accurate products and services to our customers is our mutual goal, Reinsured Services Division will monitor these reviews closely to see if they result in unavoidable delays in claims processing. Please contact the Director of Reinsurance Services, Craig Witt at (202) 690-2957 to report potential delays.

Disposal Date:

This informational memorandum is for the purpose of transmitting information and the expiration date is October 31, 2006.