



United States Department of Agriculture
Farm and Foreign Agricultural Services
Risk Management Agency

May 24, 2001

INFORMATIONAL MEMORANDUM: R&D-01-025

TO: All Reinsured Companies
All Risk Management Agency Field Offices

FROM: Tim B. Witt /s/ Tim B. Witt
Deputy Administrator

SUBJECT: Revenue Assurance (RA) Loss Payments

ISSUE:

Questions have arisen as to whether or not preliminary indemnity payments based on production losses are allowed before the fall harvest price is released for Revenue Assurance policies.

BACKGROUND:

The Revenue Assurance insurance product is a private product developed and maintained by American Farm Bureau Insurance Services, Inc. (AFBIS). AFBIS maintains that the Revenue Assurance policy does not allow preliminary indemnity payments prior to the release of the fall harvest price. The Revenue Assurance Crop Provisions, Settlement of Claim section, provides that claims will be settled using the fall harvest price. Refer also to number 23 in the Revenue Assurance Underwriting Rules that states, "Indemnity payments will be made after the fall harvest price and production to count for the insured crop are determined." The Risk Management Agency (RMA) is aware some reinsured companies may be making preliminary indemnity payments and completing the indemnity payment after the fall harvest price is released.

ACTION:

Reinsured companies are not permitted to make preliminary indemnity payments under the Revenue Assurance plan of insurance. The Revenue Assurance policy requires companies to use the fall harvest price when calculating indemnity payments.



6501 Beacon Drive \$ Kansas City, MO 64133

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

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DISPOSAL DATE:

This Informational Memorandum is for the purpose of transmitting information and the disposal date is December 31, 2001.