

IS-15-002

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Date

February 12, 2015

To

All Approved Insurance Providers

All Risk Management Agency Field Offices

All Other Interested Parties

From

Robert Ibarra, Deputy Administrator for Insurance Services /s/ Robert Ibarra

Subject

Standard Reinsurance Agreement (SRA) Terms - Supplemental Coverage Option (SCO) and Stacked Income Protection Plan (STAX)

Background

The Agricultural Act of 2014 authorized the Risk Management Agency (RMA) to offer SCO and STAX for the 2015 and succeeding crop years. RMA has been asked to clarify how these plans will be administered under the SRA for the 2015 reinsurance year and subsequent years.

Action

- RMA will pay an Administrative and Operating subsidy (A&O) of 20.1 percent of net book premium for SCO and STAX per section III(a)(2)(D)(ii) of the SRA.
- The A&O subsidy paid on the SCO and STAX policies is not subject to the reimbursement cap calculation as both are considered area risk plans which are excluded in accordance with section III(a)(2)(F) of the SRA.
- SCO and STAX are eligible crop insurance contracts for which there is a payment of an administrative fee, so are separate from the underlying multi-peril policy and thus may be designated to the assigned risk fund per section

II(b)(1) of the SRA.

- SCO and STAX policies designated to the assigned risk fund are subject to the retention and limitations of section II(b)(3) of the SRA.

DISPOSAL DATE:

December 31, 2015.

United