MGR-24-003: Notice to Cease and Desist Agent/Agency Contract Terminations

View PDF

Date

March 15, 2024

To

All Approved Insurance Providers
All Risk Management Agency Field Offices
All Other Interested Parties

From

Marcia Bunger, Administrator /s/ Marcia Bunger

Subject

Notice to Cease and Desist Agent/Agency Contract Terminations

Background

The Risk Management Agency (RMA) is aware that some Approved Insurance Providers (AIPs) are decreasing their federal crop insurance business in specific crops, plans of insurance, and geographic areas. Actions taken to transfer the business to another AIP include terminating the agent/agency contract and decreasing their compensation. Termination notifications have included language that no new business would be accepted for the current reinsurance year, policies would be cancelled if not transferred, and have been sent with insufficient time for the agent/agency to take action before the policy sales closing date. This has led to marketplace confusion, disruption, and miscommunication, requiring RMA action to ensure farmers and ranchers are not deprived of coverage, have their policies properly administered, and continue to have confidence in and access to this vital program.

Section II.a.3 of the Standard Reinsurance Agreement (SRA) and Livestock Price Reinsurance Agreement (LPRA) states in part, “the Company shall offer and market

all plans of insurance for all crops in any State where actuarial documents are available in which it writes an eligible crop insurance contract and shall accept and approve applications from all eligible producers.” Thus, a policy can be transferred but it cannot be cancelled if the producer is eligible. If an AIP terminates an agent/agency contract and a policy is not transferred it remains with the current AIP, which is obligated to service the policy in accordance with the SRA and LRPA unless it is assigned to and accepted by another agent/agency for the current and subsequent reinsurance years.

RMA understands how important crop insurance is to farmers and ranchers and has a responsibility to ensure all farmers are treated fairly, have access to the program, and that their agent can administer their policy without risk of losing coverage.

Action

All AIPs shall cease and desist any cancellation of agent contracts until RMA can review the information requested below pursuant to the 2024 SRA and LPRA Appendix II Section IV(o). In accordance with Section IV(h)(9) of the SRA and LPRA, failure to cease and desist any activity or take a specific action, as required by the Federal Crop Insurance Corporation in writing, will subject the Company or its affiliates to the sanctions in section 515(h) of the Act (7 U.S.C§1515(h)).

Under 2024 SRA and LPRA Appendix II Section IV(o), RMA requests the following information by April 1, 2024:

1) A list of agent/agencies whose contract was terminated for the 2024 reinsurance year, including location.

2) A list of agent/agencies whose compensation was decreased for the 2024 reinsurance year, including location and revised compensation terms.

To increase transparency and protect continuity of coverage for producers, new reporting requirements regarding intended business decreases, agent/agency contract termination, and agent/agency compensation reductions have been added to the 2025 SRA and LPRA Appendix II as a new Section IV(p) and include the following:

1) A summary of your intensions to decrease business for the 2025 reinsurance year, including location, crop, and plan of insurance.

2) A list of agent/agencies whose contract has been or will be terminated for the 2025 reinsurance year, including location.

3) A list of agent/agencies whose compensation has been or will be decreased for the 2025 reinsurance year, including location and revised compensation terms.

Further, AIPs shall certify that any future agent cancellation notifications will provide the affected agent/agency 60 days written notice, or the period of notice required by state law whichever is longer, prior to the first sales closing date of the agent/agencies book of business. AIPs shall provide RMA written notice 30 days prior to sending the agent/agency written notice.

If you have an urgent situation that needs to be addressed, please email Dave Miller at dave.miller@usda.gov with detail of the situation.