

MGR-26-002: Agent Compensation - Third Party Software Payments

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Date

February 20, 2026

To

All Approved Insurance Providers

All Risk Management Agency Field Offices

All Other Interested Parties

From

Patricia Swanson, Administrator /s/ Patricia Swanson

Subject

Agent Compensation – Third Party Software Payments

BACKGROUND:

The Department of Agriculture (USDA), Risk Management Agency (RMA) has completed its review of the documentation requested in MGR-25-009 and has determined that additional guidance is warranted with respect to arrangements between Approved Insurance Providers (AIPs) and service providers that provide policy administration software and support services primarily for the benefit of certain agents and agencies. The purpose of this bulletin is to remind participants in the Federal Crop Insurance Program that, except for benefits required by law, any monetary or non-monetary benefits of value provided, directly or indirectly, to an agency by either an AIP or an affiliate of an AIP are considered compensation under the Standard Reinsurance Agreement (SRA).

Section III(a)(4)(B) of the SRA provides:

“Except as provided in subparagraph (C), in any State in which the Company is doing business, the Company, its MGA, or any affiliate shall not pay total

compensation in excess of 80 percent of the total amount of A&O subsidy and CAT LAE calculated in accordance with subsection (a)(2) excluding any amounts paid under subsection (a)(2)(I), for such State...”

The SRA defines the term “compensation,” as:

“Compensation” means, for any reinsurance year, commissions, salary, profit sharing, and other forms of payment including, but not limited to, transfer or other types of bonuses, consulting fees, loans, advance payments, deferred payments, cooperative advertising, and any monetary or non-monetary benefits of value, except for those benefits required by law, in accordance with FCIC procedures. Compensation does not include any payments related to a line of insurance not reinsured under this Agreement unless such payment is made to circumvent the provisions of this Agreement.

The SRA defines the term “affiliate” as:

“Affiliate” means any person, including, but not limited to, a managing general agent, agent, service provider, and loss adjuster, that: (1) collects premiums, services the policy, adjusts, or settles claims; (2) collects, processes, manages, and reports electronic data for the purposes of selling, administering, or servicing eligible crop insurance contracts for the Company; or (3) directly or indirectly, through one or more intermediaries, has the authority to control any aspect of the management of the book of business or any other decision made under this Agreement, without the prior and specific approval from the Company...

RMA prohibits relationships that can provide additional funds or benefits to an agent for their sales and servicing of federally reinsured business above what is permitted.

In general, any payment to an agent, or any entity owned in whole or part by an agent, that is either an inducement for the agent to move their book of business from one AIP to another or an incentive to dissuade an agent from moving its book of business to another AIP would be agent compensation. Therefore, unless a particular payment is specifically identified by the SRA or guidance to not be agent compensation, the payment should be considered agent compensation.

Under the standards set forth above, an AIP may enter into an agreement with an independent service provider to deliver general policy administration software and support services on behalf of the AIP to all of the AIP’s agencies, and payments

made by the AIP to the service provider under those circumstances will, as a general matter, not be considered compensation under the SRA. However, payments made by an AIP to a service provider for policy administration software and support services will be deemed a benefit of value and considered compensation under the SRA if any of the following conditions apply: (1) The service provider is funded in whole or in part by an agency or group of agencies that receives the benefit of the software and services; (2) An agency or group of agencies receiving the benefit of the software and services has authority to control the service provider's work; or (3) The software and support services are provided to a select agency or group of agencies rather than being available to the AIP's entire agency force.

ACTION:

AIPs are directed to review all arrangements with their service providers to ensure they are paying and reporting agent compensation in accordance with the SRA, the FAQs for Agent Compensation, Schemes or Devices on RMA's website, and this bulletin in advance of the start of the 2027 RY. Effective for the 2027 and succeeding reinsurance years, third party-software and support relationships meeting the criteria above will be considered agent compensation. Further, AIPs are reminded that Section III(a)(4)(E) of the SRA provides:

If FCIC discovers that the Company, its MGA, or affiliate has paid compensation in excess of the amounts allowed in subparagraphs (B) or (C), the Company will be subject to any sanction described in this Agreement or applicable regulations. Any scheme or device to circumvent the limitations in subparagraphs (B) or (C) will be considered a violation of this Agreement.

Disposal Date:

Effective until superseded or rescinded.