

MGR-26-002.1: Agent Compensation - Third Party Software Payments

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Date

May 11, 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:

After extensive negotiations, agent compensation limitations were first incorporated into the Standard Reinsurance Agreement (SRA), a contract between Approved Insurance Providers (AIP) and the Federal Crop Insurance Corporation (FCIC) for the 2011 reinsurance year to protect AIP solvency and maintain the integrity of the Federal Crop Insurance Program (FCIP). These limitations were established after an AIP experienced financial failure due in part to excessive agent compensation and high-loss conditions. Since that time, RMA has issued multiple bulletins and memoranda to explain which payments constitute agent compensation and to identify business practices that may be considered “schemes or devices” used to circumvent compensation limits. However, as stated in [MGR-10-011.1](#) (12), “[i]t is impossible to list all potential schemes and devices” which is why (since 2010), RMA has provided a non-exhaustive list of examples of potential schemes and devices. RMA updates [Frequently Asked Questions](#) (FAQs) to provide continued guidance regarding schemes or devices as concerns or questions become known, to facilitate

the accurate accounting of agent compensation and ensure expenditures are within the limits set forth in the SRA.

As technology and business models evolve, third-party software systems increasingly provide functions beyond policy quoting and processing. While quoting and processing tools may be excluded from compensation under MGR-10-011.1(2)(g), many modern software platforms also provide additional benefits for agency management, accounting, policy lifecycle management, or other features, which may directly or indirectly benefit agents, and therefore may fall within the SRA definition of compensation.

This Bulletin replaces MGR-26-002 and clarifies how payments for software and support services should be treated for purposes of SRA Section III(a)(4). It applies longstanding RMA guidance and principles (see [MGR-10-011.1](#), [IS-11-006](#), and [related guidance](#)), to address modern software structures and ensure consistent, equitable application of compensation rules.

Section III(a)(4) of the SRA provides that, except for benefits required by law, any monetary or non-monetary benefit of value provided directly or indirectly to an agent or agency is considered compensation. Compensation includes commissions, salary, profit sharing, bonuses, consulting fees, loans, advance or deferred payments, cooperative advertising, and other benefits of value. Unless specifically excluded under the SRA or FCIC procedures, payments that benefit agents may be treated as compensation when evaluating for SRA compliance. The SRA also defines “affiliates” broadly to include service providers or entities controlled by, or acting on behalf of, AIPs.

ACTION:

Beginning with the 2027 Reinsurance Year, AIP payments to software or service providers for providing premium quotes to producers or performing the processing tasks as described in MGR-10-011.1 2(g) may be counted as agent compensation when any of the following conditions are met when evaluating for SRA compliance. These conditions supersede the prior action language in MGR 26-002.

1. AIP Payments to a Software Service Provider That Is Funded by Agents Who Receive the Benefit

If the software provider is funded, prepaid, financed, or otherwise capitalized—directly or indirectly—by agents or agencies who receive the benefit of the software, payments by AIPs for that software confer a benefit of value to those agents. Such arrangements mirror “scheme or device” examples identified in IS-11-006 and MGR-10-011.1, including channeling funds through third parties or affiliated entities.

Section 12 of MGR 10-011.1 in accordance with Section III(a)(4)(E) of the SRA provides a non-exhaustive list of schemes and devices that avoid limitations imposed by section III(a)(4) of the SRA:

(f) Establishing or using a third party (such as a commodity group, a marketing specialist, or data processing entity) to channel payments to agents or agencies to supplement compensation that is subject to the SRA limitations.

(g) Establishing or using a third party (such as a commodity group, a marketing specialist, or data processing entity) to provide services to producers that are normally performed by an agent or agency.

A similar concern existed around data processing centers being affiliated with an agent, IS-11-006 recognized this vulnerability and updated guidance with the following:

“for AIP payments to processing centers not to be deemed as agent compensation, the processing center must be a distinct, unique entity not affiliated with any particular agent or agency. Otherwise, the potential for abuse exists and RMA will consider any payments to such entities affiliated with the agents to be a scheme or device.”

Therefore:

AIP payments to a service provider that is funded by agents who receive the benefit may be counted as agent compensation when evaluating for SRA compliance. Otherwise, the potential for abuse exists and RMA in evaluating SRA compliance may consider any payments to such entities affiliated with the agents to be a scheme or device unless counted as agent compensation.

2. AIP Payments to a Software Service Provider in which Agents Have Authority to Control or Influence the Service Provider’s Work

If benefiting agents have direct or indirect authority to guide software development, prioritize features, determine implementation timelines, or influence system design or administration, the software becomes a tool shaped to agent preferences. This transfers responsibilities that belong to AIPs under the SRA and provides value to the agents controlling the work.

Under the SRA, an AIP, not the agent, has the responsibility to control the systems and processes used to sell and service eligible crop insurance contracts. An Agent is authorized by the AIP to sell and service policies, and the AIP is the legal entity that enters into the SRA with FCIC. Pursuant to section IV(h)(1) of the SRA, an AIP is solely responsible for the conduct and performance of its personnel and affiliates with respect to the obligations imposed by the SRA.

“Agent” means any individual who is: (1) licensed by the State in which eligible crop insurance contracts are sold and serviced for the reinsurance year; and (2) authorized by the Company, or the Company’s designee, to sell and service such eligible crop insurance contracts.

“Approved insurance provider (AIP)” means a legal entity, including the Company, which has entered into a Standard Reinsurance Agreement with FCIC for the applicable reinsurance year.

MGR-10-011.1 also provides the following as it relates to software.

Section 1(l)

1.The following items (looking at the characteristics, not the name) constitute compensation for the direct sale and service of eligible crop insurance contracts:

(l)An AIP’s cost to benefit an agent, agency, or affiliate for office furnishings or equipment (excluding computer hardware), computer software (except as provided in paragraph 2), subscriptions, and meeting registration fees.

Section 2(g)

2.The following items do not constitute compensation for the direct sale and service of eligible crop insurance contracts:

(g)Computer software, including licensing fees, provided by an AIP to an agent, agency, or affiliate for providing eligible crop insurance contract

premium quotes to producers or performing the processing tasks identified in paragraph 11, except that payments for such software paid to an agent, agency, or affiliate who sells or services eligible crop insurance contracts written by the AIP will be deemed to be compensation.

Based on this existing guidance there are instances where software may be agent compensation. When agents have the authority to guide software development as described above, it is no longer software provided by an AIP but is now software that can be adapted to match the benefits desired by the agent, and consequently, the agent is indirectly receiving a benefit of value

Therefore:

AIP payments to a software service provider controlled, influenced, or directed by agents may be counted as agent compensation when evaluating SRA compliance. Otherwise, the potential for abuse exists and RMA in evaluating SRA compliance may consider any payments to such entities affiliated with the agents to be a scheme or device unless counted as agent compensation.

3. AIP Payments to a Software Service provider which is Available Only to Select Agents Rather Than to All Agents Contracted With an AIP

Administration software and support services are provided by the AIPs for the sales and service of federal crop insurance policies by their contracted agents. Some AIPs use third party software, while others develop their own in-house software. AIPs also provide training and support for these tools to their agents.

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Section 2(g)

2. The following items do not constitute compensation for the direct sale and service of eligible crop insurance contracts:

(g) Computer software, including licensing fees, provided by an AIP to an agent, agency, or affiliate for providing eligible crop insurance contract premium quotes to producers or performing the processing tasks identified in paragraph 11, except that payments for such software paid to an agent, agency, or affiliate who sells or services eligible crop insurance contracts written by the AIP will be deemed to be compensation.

The purpose of the software exclusion in MGR 10-011.1 Section 2(g) was to ensure that AIPs could provide agents with the software needed to perform quoting and service activities required for proper data processing and submission under the Federal Crop Insurance Program. Singling out select agents to provide exclusive software tailored to specific needs conveys a benefit of value.

Agent compensation rules and caps were put in place, to limit AIP compensation to agents so that AIPs will be able to sell and service policies in a sound and prudent manner in accordance with the SRA. Schemes and device guidance was later issued and has been updated through [FAQs](#) to identify emerging ways AIPs, agents, and service providers might try to avoid the caps. The exclusion that exists for software for policy quoting and processing has become a new potential vehicle to provide additional benefits to agents. When software is available only to select agents or agencies, exclusivity itself confers an additional non-monetary benefit. FCIC seeks to maintain a sound system of crop insurance and the agent compensation limits were put in place to help ensure AIPs have enough funds to service policies, adjust losses, and provide continuity of coverage to producers.

Nothing in the SRA, Manager's Bulletin MGR-10-011.1, or this memorandum constitutes approval or disapproval by RMA of any particular payment or benefit, or a prohibition of any business practice or transaction by any AIP. The AIPs may conduct business as they determine in their best interest, provided that it does not otherwise violate the SRA.

Therefore:

If software is not available to all agents contracted with the AIP, AIP payments for that software may be counted as agent compensation when evaluating SRA

compliance. Otherwise, the potential for abuse exists and RMA in evaluating SRA compliance may consider any payments to such entities affiliated with the agents to be a scheme or device unless counted as agent compensation.

Additional Guidance:

Schemes or Devices

Consistent with prior guidance: Any arrangement used to channel additional value to agents, directly or indirectly, is a scheme or device unless counted as agent compensation. Attempts to use software structures to convey indirect benefits (e.g., unique features, financed development, preferential licensing) constitute schemes unless reported as compensation. AIPs should evaluate whether software arrangements create indirect benefit pathways and report associated payments accordingly. RMA will be updating the [Agent Compensation - Schemes and Devices](#) frequently asked questions to include updates from this MGR.

Disposal Date:

Effective until superseded or rescinded.