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TO: All State Insurance Commissioners, Directors and Superintendents

FROM: Merle Scheiber, South Dakota Director of Insurance & Chairman, NAIC Crop Insurance Working Group

DATE: 01/07/2008

RE: State and Federal Crop Insurance Rebating Enforcement Initiative

Recently, the Risk Management Agency (RMA) contacted several state insurance regulators regarding an anticipated increase in rebating schemes in selling multi-peril crop insurance products, which are prohibited by statute in most states, as a result of increasing commodity prices for several crops covered by the Federal Crop Insurance Corporation.

The RMA has requested state regulators work with them in strengthening enforcement efforts designed to discourage use of rebating schemes. Specifically, states participating in this initiative pledge to:

- Notify RMA and other states when a Federal crop insurance rebating complaint or allegation is received;
- Provide RMA and other states background information on relevant past Federal crop insurance rebating investigations;
- Coordinate with RMA and other states on all new Federal crop insurance rebating investigations, as appropriate;
- Share with RMA and other state's specialized Federal crop insurance rebating analyses (such as information generated from data mining);
- Share state and Federal legal expertise to review and analyze complex Federal crop insurance rebating schemes as well as other crop insurance issues;
- Inform RMA and other states of any assessment of penalties or sanctions taken by a state involving a Federal crop insurance rebate violation, and
- Take appropriate actions when violations of the respective laws are identified.

During the 2007 NAIC Winter National Meeting, several state regulators voluntarily signed a joint bulletin for distribution to insurers writing multi-peril crop insurance in coordination of the RMA's notification of these insurers pledging to take the steps outlined above. This joint bulletin is scheduled to be distributed during the week of Dec. 17, 2007.

Additionally, several state regulators have drafted a model bulletin for distribution to resident insurance agents providing multi-peril crop insurance coverage. This model bulletin is designed to be used along with state insurance department letterhead and contains similar language to the joint bulletin. The RMA has asked that states provide these bulletins in coordination with their efforts by targeting their distribution of the bulletin to their resident agents on January 7, 2008.