Federal Crop Insurance Program Handbook
A Guide for Insurance Regulators
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2013
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Section I  Purpose and Background

The Federal Crop Insurance Corporation (FCIC) promotes the economic stability of agriculture through a sound system of crop insurance and providing the means for the research and experience helpful in devising and establishing such insurance. Management is vested in a Board of Directors, subject to the general supervision of the Secretary of Agriculture. Many of its activities are preempted from state regulation because certain elements of crop insurance are subject to federal regulation. Of course, other activities continue to be regulated by the states or even by both parties. The Risk Management Agency (RMA) manages the FCIC and has an Internet site at http://www.rma.usda.gov/ that contains program information including crop policies, participation data, agency publications and contacts.

In 1994, discussions between FCIC and the state insurance regulators began in hopes of working together to clarify regulatory roles and to serve the best interests of crop producers (insureds). At that time, the National Association of Insurance Commissioners (NAIC) established a Crop Insurance Working Group to facilitate and encourage state insurance regulators to communicate with FCIC over matters of common interest. This handbook is a result of those cooperative efforts between state insurance regulators, FCIC, and the insurance industry, so that the structure of the regulatory system and characteristics of the Federal crop insurance program will be understood by all parties.

Section II  Federal Crop Insurance Program Information

The Federal crop insurance program is governed by The Federal Crop Insurance Act (Act) found in United States Code Title 7 Chapter 36 and can be accessed on RMA’s website at FCIC Act. Questions regarding the Federal crop insurance program may be directed to the Director of Reinsurance Services, whose contact information along with other agency divisions can be located under the ‘Contact Us’ section on the RMA website RMA Contacts.

Section III  The Federal Crop Insurance Corporation and its Products

Section 508(a) of the Act provides the federal government the authority to offer crop insurance, as follows:

“If sufficient actuarial data are available (as determined by the Corporation), the Corporation may insure, or provide reinsurance for insurers of, producers of agricultural commodities grown in the United States under 1 or more plans of insurance determined by the Corporation to be adapted to the agricultural commodity concerned. To qualify for coverage under a plan of insurance, the
losses of the insured commodity must be due to drought, flood, or other natural disaster (as determined by the Secretary).”

FCIC is prohibited from insuring or reinsuring policies that are generally available from private insurers. Traditional crop-hail insurance is an example. The hail peril is covered in FCIC’s policies; however, FCIC provides a rate with or without hail coverage depending on whether or not the policyholder has private crop-hail coverage in force.

The term “Multi-Peril Crop Insurance” (MPCI) and “Multiple Peril Crop Insurance” and the acronym “MPCI” are not used by FCIC in its regulations. However, MPCI, Multi-Peril and Multiple Peril are all part of the commonly used nomenclature of the crop insurance industry and FCIC to describe the underlying or basic insurance product that is most often offered under the authority of the Act and denotes the fact that most policies insure against multiple perils although a few policies governed by FCIC are single peril policies. All policies issued under the authority of the Act are regulated by FCIC. Thus, an insurer may describe its policies using any of the terms listed above, yet the policy may remain subject to state regulation.

Crop-hail is the most significant crop insurance coverage that is not regulated by FCIC. However, there are other crop insurance programs offered on a limited basis, such as “event” insurance for certain crops that also are not regulated by FCIC. Most of the crop insurance policies currently offered by FCIC are published in the Federal Register’s Code of Federal Regulations (CFR) at 7 CFR Part 400 et seq. and can be found on the RMA website. Only those crop insurance programs that are subsidized and reinsured under the authority of the Act are regulated by the FCIC. The crops currently insured and reinsured by FCIC and the different plans of insurance offered by FCIC can be found on the RMA website under Crop Policies and Pilots.

FCIC’s insurance policies are available through Approved Insurance Providers (AIPs), which are reinsured and subsidized by FCIC. The following table represents insurance plans available. More current information may be found on the RMA website, under Crop Policies and Pilots.
For example, an insured can obtain a basic coverage offered by FCIC, like the Catastrophic Risk Protection policy (CAT), that covers 50% of the expected crop yield (in other words, there is a 50% deductible) and values each physical unit of production (e.g.—bushel, pound, bale, etc.) at 55% of the expected market price. CAT policies are available to insureds for an administrative fee per crop policy, regardless of the total coverage bound. The federal government subsidizes one hundred percent of the risk premium and provides a CAT Loss Adjustment Expense subsidy to the AIP. The requirements and administrative fees for CAT policies are found in Section 508(b) of the Act and also in the CAT Endorsement found on the RMA website under Crop Policies and Pilots. The same policies are also available with higher levels of coverage. They are commonly referred to as “additional coverage” policies. With these policies, insureds can choose from 50% to 75% of the expected yield (80% to 85% on some crops in certain areas), and from 60% to 100% of the expected market price. The risk premium subsidy provided by FCIC is applied to the additional coverage policy, with the insured paying the balance as his or her net premium. The risk premium subsidy percentages can be found on the RMA website and in Section 508(e) of the Act.

Section IV  Federal Preemption of Certain State Activities Related to Crop Insurance

Under certain circumstances, the Act preempts state regulation of crop insurance rates and forms. Section 506(l) states,

“The Corporation may enter into and carry out contracts or agreements, and issue regulations, necessary in the conduct of its business, as determined by the Board. State and local laws or rules shall not apply to contracts, agreements, or regulations of the Corporation or the parties thereto to the extent that such contracts, agreements, or regulations provide that such laws or rules shall not apply, or to the extent that such laws or rules are inconsistent with such contracts, agreements, or regulations.”
The Act preempts state laws and rules either to the extent that it specifically does so in its regulations or to the extent that state laws and rules are in conflict or are inconsistent with its contracts, agreements, or regulations. Other state laws and regulations are not affected by this preemption.

**FCIC Regulatory Responsibilities**

The areas or activities regulated by FCIC, the states, or both include:

- a. **Policy Forms**;
- b. **Crop Insurance Rates**;
- c. **Premium Taxes and State Assessments**; and
- d. **Marketplace Conduct**.

**A. Policy Forms**

FCIC requires all forms to comply with the Document and Supplemental Standards Handbook (DSSH) published by the RMA. The AIPs may develop their own application for Federal Crop Insurance in accordance with the DSSH. FCIC imposes the same requirements on all other forms such as acreage reports, claims for indemnities, transfers and assignments of indemnities. States are preempted from regulating these policy forms.

AIPs are free to develop and use their own forms for those types of crop insurance that are supplemental to a Federal Crop Insurance policy, but not reinsured by FCIC. However, AIPs must submit such products to FCIC for a determination that the product does not shift or increase the risk to the underlying, federally-reinsured insurance policies. This provision is contained in Section IV. E. of FCIC’s **Standard Reinsurance Agreement** (SRA) and **CFR Section 400.713**.

If an AIP writes FCIC-reinsured coverage in conjunction with coverage that is not reinsured by FCIC, and the non-reinsured coverage has not been reviewed by FCIC, reinsurance on the underlying policy may be withdrawn. The rule applied by FCIC is that such products cannot shift or increase possible losses to the underlying FCIC product. As long as such shifting does not occur, FCIC will continue to reinsure its product. State regulators should note that the non-reinsured portion of the policy continues to be subject to state regulation.

FCIC mandates policy forms language for any coverage it reinsures. All crop insurance policies offered by FCIC, are published in the Federal Register except for certain pilot programs, and they are available on the [RMA website](https://www.rma.us). FCIC may only amend its published policies in the manner prescribed by the Federal Administrative Procedures Act.

AIPs that develop their own policies for either reinsurance alone, or reinsurance and federal subsidy may, pursuant to Section 508(h) of the Act, submit the policies to the FCIC Board of Directors for evaluation and approval. If FCIC finds that the interests of the insureds are
adequately protected and the premium rates for the new policy or provision are actuarially sound, FCIC will accept the policy or provision of the policy and provide reinsurance alone, or reinsurance and premium subsidy.

In accordance with the SRA, AIPs are not required to offer policies approved by FCIC under Section 508 (h) of the Act. The SRA states in part: “However, if the AIP chooses to offer any such plans, it shall offer the plan in all approved states in which it writes crop insurance policies where such plan is made available.”

Crop insurance policy language may not deviate from that policy language published in the Federal Register\(^1\). Each policy states that the terms and conditions may not be waived by the agent, the reinsured company, or any FCIC employee.

Pursuant to Section 506(l), federal law preempts state law with respect to FCIC’s crop insurance policies. Therefore, such provisions do not need to conform to state statutes (such as arbitration requirements or cancellation language). However, any person is entitled to comment on any proposed federal regulation. Thus, at the time a proposed regulation (including a crop insurance policy) is published in the Federal Register by FCIC state insurance regulators may submit their opinion, pertinent data, and other information for the record. FCIC will review all comments and modify the proposed rule as appropriate. However, FCIC would not modify provisions to conform to the statutes of a single or several states.

B. **Crop Insurance Rates**

State regulation of crop insurance rates has also been preempted by federal law on products issued under the Act. Section 508(d)(1) of the Act states:

> The Corporation shall fix adequate premiums for all the plans of insurance of the Corporation at such rates as the Board determines are actuarially sufficient to attain an expected loss ratio of not greater than—
> (A) 1.1 through September 30, 1998;
> (B) 1.075 for the period beginning October 1, 1998, and ending on the day before the date of enactment of the Food, Conservation, and Energy Act of 2008; and
> (C) 1.0 on and after the date of enactment of that Act

Since FCIC is statutorily mandated to use crop insurance rates to attain targeted loss ratios, states are preempted from regulating crop insurance rates on products issued under the Act to avoid any conflict that would prevent FCIC from reaching its congressionally mandated loss ratio target.

In addition, pursuant to Section 508(h) of the Act, AIPs may submit privately developed crop insurance policies or rates on alternative or supplemental policies to FCIC for approval for

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\(^1\) All crop insurance policies offered by FCIC, except for certain pilot programs, are published in the Federal Register and on the RMA website.
subsidy and/or reinsurance. If FCIC finds that the interests of the insureds are adequately protected and the premium rates are actuarially sound, it will approve the rates. Approved alternative or supplemental policies under the authority of Section 508(h) and the rates associated with these policies are also preempted from state regulation.

FCIC mandates rates for those crop insurance coverages that are reinsured by FCIC. Rates for the principal federally reinsured coverages are issued directly by FCIC. All insurers reinsured by FCIC must use those premium rates.

C. **Premium Taxes and State Assessments**

States are preempted from levying taxes or assessments on federally reinsured policies. The rationale for this is that FCIC sets the rates charged on its policies, prohibits rate deviations, subsidizes the administrative expenses of the AIPs, and guarantees the payment of claims on policies that it reinsures under the SRA or other similar reinsurance agreements. Hence any state premium tax on a policy that is reinsured and subsidized by FCIC is a state tax on the federal government, any solvency assessments would be redundant, and the AIPs would be unable to adjust their rates to compensate for that added burden. The exemption from state taxes is based on Section 511 in the FCIC Act and is further expressed at 7 CFR 400.351 and 400.352.

D. **Marketplace Conduct**

The fundamental objective of marketplace regulation is to promote the proper functioning of insurance markets to serve the interests of consumers and the general public. Rates and policy forms are subject to some form of regulatory approval in virtually all states. State laws typically require that property-liability rates not be inadequate, excessive or unfairly discriminatory. In addition, insurers must obtain approval for the products they sell and, specifically, the policy forms they use. Regulators seek to ensure that policy provisions comply with state law, are reasonable and fair and do not contain major gaps in coverage that might be misunderstood by consumers and leave them unprotected.

Market practices also are subject to regulation where the commissioner polices insurers’ and agents’ sales and underwriting activities to assure their adherence to certain standards and that claims are paid according to the provisions of insurance policies. The intention is to prevent abusive practices, e.g., false sales illustration or the failure to pay legitimate claims on a timely basis that take unfair advantage of consumers.

Responding to consumer complaints and performing market conduct examinations are the primary ways in which insurance departments regulate market practices. Most departments have established toll-free hotlines, Internet websites, forms and special consumer service units to receive and handle complaints against insurers and agents and communicate with consumers. Department analysts attempt to determine whether a complaint has merit and may possibly constitute a violation of state laws or regulations. Most complaints are resolved without resorting
to formal administrative or legal actions that could result in fines against an insurer or agent or even license suspensions and revocations.

FCIC assures through regulatory oversight that agents’ sales and underwriting activities to assure their adherence to certain standards and that claims are paid according to the provisions of insurance policies. FCIC has processes in place to review consumer complaints.

Section V  Federal Subsidies, Fees, Reinsurance and Accounting

Premium Subsidies

FCIC subsidizes a percentage of the risk premium that is paid by the insured. The subsidy percentage is based on policy coverage level and stated in Section 508(e) of the Act and on the RMA website. CAT policy premium is 100% subsidized. The reinsured AIPs reflect the total premium as direct written premium, although the premium subsidy is not paid to the reinsured AIPs but rather is reflected as a credit on their monthly accounting settlement report.

Expense Subsidies

Section 508(k) of the Act and Section III of the SRA allows FCIC to reimburse AIPs an administrative and operating subsidy to offset cost of additional coverage level policy delivery and service. CAT policies do not receive an administrative and operating subsidy, but per Section 508(b) of the Act and Section III of the SRA, the reinsured AIPs are paid a percent of premium to offset loss adjustment expenses (LAE).

Administrative Fees

Section 508(b) and 508(c) of the Act specify the administrative fee paid by the insured for CAT and additional coverage policies. These fees are also found in Section III of the SRA.

Reinsurance

In exchange for premiums ceded by the AIP to FCIC under the SRA, FCIC provides reinsurance to the AIP with respect to such policies in accordance with the provisions of the SRA. Reinsured AIPs purchase private commercial reinsurance to cede retained liability after SRA reinsurance. Contact the Reinsurance Services Division for additional explanation on the reinsurance structure.

Accounting

In general, an insured must submit a policy application by the Sales Closing Date, plant by the Final Planting Date and submit an acreage report by the Acreage Reporting Date. From the acreage report, the AIP calculates the policy premium and liability. The insured is then billed by
the Billing Date, which typically results in the insured paying their premium and fees around the time of harvest.

The AIP receives their A&O and CAT LAE subsidies after the premium data has been accepted by FCIC. The insured paid premium due FCIC and the credit for the premium subsidy is billed to the reinsured AIPs on the accounting report for the month following the Billing Date. The reinsured AIPs have the option of establishing a loss escrow account to which FCIC will fund loss payments. At the Annual Settlement the reinsured AIPs receive their share of any underwriting gain generated for the reinsurance year based on the SRA reinsurance terms. If an AIP is in an underwriting loss position prior to the Annual Settlement they are billed on the monthly accounting settlement report.

Section VI Activities That Remain Within the Domain of State Insurance Regulators

Policy Forms and Rates

FCIC claims an extensive jurisdiction over crop insurance policies that are reinsured by the federal government. Any crop insurance policy that is not issued under the authority of the Act is outside the federal preemption of state laws and rules. Forms associated with these policies would remain within the regulatory domain of state insurance departments since these types of crop insurance are not reinsured by FCIC, and insurance companies are free to develop and use their own rates. These rates remain within the regulatory domain of state insurance departments. As such, state regulators are encouraged to continue taking an active role in reviewing rates for these policies in accordance with the laws and regulations in effect in their respective jurisdictions.

States retain all responsibility with regard to crop insurance coverage not issued under the authority of the Act and for those rules and regulations not specifically preempted, in conflict, or inconsistent with the FCIC regulations. Additionally, states are encouraged to review proposed crop insurance regulations when published in the Federal Register and to provide comments.

Occasionally, FCIC-reinsured coverages are written in conjunction with those coverages that are not reinsured by FCIC. The most common example is crop-hail. However, such coverages must be completely separate from the MPCI product. This requires a separate application, policy form and related materials. Although they are preempted from reviewing the portion of the coverage reinsured by FCIC, state regulators are encouraged to actively review the non-reinsured portion of the policy and the corresponding rates.

Producer Licensing and Continuing Education

All insurance intermediaries (agents, brokers, solicitors, etc.) involved in selling insurance in a state are required to be licensed and meet certain minimum requirements. States issue licenses to both resident and non-resident producers. Most states require agents to pass a test demonstrating sufficient knowledge of insurance and state regulations to be trusted to serve insurers and
consumers. Many states also require agents to meet continuing education requirements to ensure that they keep pace with insurance and regulatory developments.

Applicants for agents’ and brokers’ licenses are also subject to a background check to screen out applicants who have been guilty of fraud or other regulatory violations. The Federal Omnibus Crime Bill (18 U.S.C. 1033 and 1034) makes it a crime for a company to appoint an agent who has committed a felony involving honesty or breach of trust. If a producer commits fraud or violates other regulations, regulators can employ various sanctions, including license suspensions, revocations and cancellations, as well as impose fines.

States now license agents and in some states, loss adjusters, specifically for crop-hail insurance, and FCIC favors state regulators continuing that process. Some states are currently separating the licensure of crop-hail insurance from MPCI with several states having a separate and specific MPCI examination and MPCI license available. FCIC understands that the licensure of loss adjusters may be handled in a similar manner. FCIC encourages a separate MPCI license for both agents and loss adjusters. The process of licensing agents and loss adjusters remains within the jurisdiction of the states. FCIC currently imposes minimum training requirements on agents and loss adjusters who sell and service its policies.

**Adjuster Licensing and Continuing Education**

The SRA was amended effective for the 2010 subsequent reinsurance years. This amendment implemented a certification requirement for adjusters of Federal crop insurance claims. The 2005 SRA Amendment No. 2 was added to the SRA to recognize three categories of states with respect to adjuster licensing. The SRA identified 1) states that requires adjusters to take an exam that is directly related to crop insurance to obtain a license; 2) states that do not require adjusters to be licensed; and 3) states that require adjusters to take an exam that is not crop insurance-specific to obtain a license.

To be certified under the new requirement, adjusters performing loss adjuster activities in states in the first category were required to obtain the license required by the State. Adjusters performing loss adjuster activities in the second category were required to take and complete with a passing grade a proficiency program developed, approved, and implemented under FCIC procedures or, if FCIC-approved proficiency testing program is not available in the State, complete the required training in the SRA by the AIP. Adjusters performing loss adjustment activities in states that required adjusters to take a test which was not crop insurance-specific (as determined by FCIC) to obtain a license, were required to continue to meet the State’s requirements for the 2010 and 2011 reinsurance years.

Subsequent to the 2011 reinsurance year, the SRA provided that an adjuster could take and complete with a passing grade a proficiency testing program developed, approved, and implemented under FCIC procedures in lieu of obtaining a license in the third category of states.

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2 SRA definition: Reinsurance year means the term of this Agreement beginning July 1 and ending on June 30 of the following year and, for reference purposes, identified by reference to the year containing June.
If the testing program is not available in the State, adjusters would be required to meet the State’s requirements.

In December 2009, RMA, on behalf of FCIC, approved National Crop Insurance Service’s (NCIS) Crop Adjuster Proficiency Program (CAPP®). The testing program’s requirements were presented to the Crop Insurance Working Group and NCIS continues to provide the working group with periodic updates on its status. Since the implementation of CAPP®, it has been accepted by most States as sufficient to meet their exam requirement for issuing a crop insurance license.

Continuing Education (CE) is an area where it would be mutually beneficial for state insurance regulators and FCIC to work together for the benefit of insureds purchasing crop insurance. It is important that agents of crop insurance products be knowledgeable about the products they are marketing. FCIC recognizes this important area in its regulations, which require agents to complete a certain amount of CE annually. FCIC also has CE requirements for loss adjusters. State insurance regulators often have CE requirements, too. It makes sense for state regulators and FCIC to work together to see that the quality of the CE provided meets certain minimum standards.

Section VII  The Interaction of State and Federal Regulatory Officials Regarding Solvency Surveillance

Protecting policyholders and society in general against excessive insurer insolvency risk is a major function of insurance regulation. Regulators protect policyholders’ interests by requiring insurers to meet certain financial standards and to act prudently in managing their affairs. To accomplish this task, insurance regulators are given authority over insurers’ ability to incorporate and/or conduct business in the various states. State statutes set for the requirements for incorporation and licensing to sell insurance. These statutes require insurers to meet certain minimum capital and surplus standards and financial reporting requirements and authorize regulators to examine insurers and take other actions to protect policyholders’ interests, including:

- Capitalization;
- Pricing and products;
- Investments;
- Reinsurance;
- Reserves;
- Asset-liability matching;
- Transactions with affiliates; and
- Management.

Even though the quality of FCIC’s reinsurance guarantee is excellent, there is still a threat of insolvency to crop insurers and their managing general agents (MGA). If an AIP becomes
insolvent, FCIC guarantees payment of insured claims through the use of a cut-through clause found in Appendix I, Section X. of the SRA.

The logic of this provision is to make sure that persons who are essentially Federal policyholders are taken care of quickly in case of insurer insolvency. This provision is also made necessary by the fact that FCIC preempted the states’ right to levy taxes and assessments—including solvency fund assessments—on FCIC reinsured and subsidized premiums.

FCIC’s regulatory oversight of the AIPs for solvency does not preempt the states’ activities in this area. As part of the SRA approval process, an AIP must meet the Standards for Approval requirements under 7 CFR 400 Subpart L. The requirements include a financial ratio analysis and determining the maximum premium volume a company is authorized to write. State regulators are encouraged to continue their vigorous solvency oversight activities of FCIC’s AIPs and their MGAs as applicable.

FCIC has a Compliance Division that is responsible for assuring that reinsured AIPs and the federal delivery system properly implement procedures for timely detection and reporting of suspected misrepresentation, fraud, waste or abuse by policyholders, employees or affiliates. If any person has knowledge of possible waste, fraud, or abuse in the management of the federal crop insurance program, he or she should notify the U.S. Department of Agriculture (USDA) or FCIC’s Compliance Division. If circumstances warrant, FCIC will request that USDA’s Office of the Inspector General join the investigation.

Insureds who dispute a claim have recourse under the arbitration clause in the case of reinsured policies. Insured persons also have recourse to the courts of their local jurisdiction.

Some state regulators currently investigate consumer complaints pertaining to MPCI. They may obtain assistance from FCIC’s Insurance Services Division, which has offices in Washington, D.C. and 10 states. Refer to the RMA website under ‘Field Offices’ for names, locations, and phone numbers. FCIC is not aware of any limitations in regards to what types of complaints the states may investigate. States are encouraged to refer consumer complaints regarding FCIC policies to FCIC for resolution. However, joint reviews of consumer complaints are encouraged.

At present, FCIC and state insurance regulators have no method of sharing regulatory information. There are cases in which state or federal action has been taken against agents, crop insurers, or MGAs and the federal or state regulators are not aware of the action. FCIC does not maintain a regulatory information database similar to the NAIC Regulatory Information Retrieval System (RIRSEach system of records for Loss Adjuster and Agent Databases shall include the following or similar language:

Records contained in this system may be disclosed as follows: (1) Referral to the appropriate agency, whether federal, state, local or foreign, charged with the responsibility of investigating or prosecuting a violation of law, or of enforcing or implementing a statute, rule, regulation or order issued pursuant thereto, of any
record within this system when information available indicates a violation or potential violation of law, whether civil, criminal, or regulatory in nature, and whether arising by general statute or particular program statute or by rule, regulation or order issued pursuant thereto.

Section VIII Guidelines for Effective Oversight of Crop Insurance Matters

There are several areas where FCIC and the state insurance regulatory officials can work together more effectively to address consumer protection issues as they relate to crop insurance. It is recognized that FCIC serves a dual role as both regulator and reinsurer of various crop insurance products.

Policy Forms and Rates

This handbook should assist state insurance regulators in identifying those crop insurance policies that are reinsured or offered directly by FCIC. If a state insurance regulator should come upon a policy that has not been identified under ‘Crop Policies and Pilots’ on the RMA website, the regulator is encouraged to contact FCIC. This will minimize the number of crop insurance policies that avoid federal or state scrutiny.

Complaints

State insurance regulators may receive complaints from insureds regarding FCIC reinsured coverages. Referral of these complaints to the appropriate source within FCIC would benefit the insured and increase consumer satisfaction with FCIC and state regulatory officials. FCIC recommends that complaints regarding reinsured policies be referred to the Director of the Reinsurance Services Division. The Reinsurance Services Division has an account executive staff assigned to the various insurance AIPs that deliver the federal crop insurance program. States are encouraged to establish a relationship with this division to address any AIP or consumer complaint issues.

Sharing Information

State insurance regulators are encouraged to use the NAIC RIRS to track actions against agents of crop insurance business. Under the direction of the Crop Insurance Working Group, the NAIC agrees to work with FCIC to provide it access to this regulatory information. Once FCIC is linked electronically with the RIRS, it is hoped that FCIC will use the system to assist FCIC in tracking its actions against agents or other persons related to the production of crop insurance. In this manner all parties will be able to effectively monitor these activities.

In the interim, state insurance regulators are encouraged to share information directly with FCIC, which recommends that information related to regulatory actions against agents of crop insurance be provided to the Director of the Reinsurance Services Division. Similarly, FCIC will provide information on agent debarments to the NAIC’s Executive Headquarters as well as
directly to the relevant state. This will facilitate the application of appropriate sanctions against wrongdoers and provide greater protection to insureds against fraudulent activities.

**Insolvency of an Insurer**

Although monitoring the financial solvency of those marketing crop insurance is the responsibility of the state insurance regulators, it is a concern of all parties. FCIC, as discussed above guarantees the payment of claims against policies covered by the SRA. Thus, reinsured supplemental policies, which are not covered by the SRA, are not guaranteed. As such, FCIC has an interest in these entities maintaining appropriate levels of financial stability. If state insurance regulators identify early warnings of financial impairment through financial audits of crop insurers, the state regulators are requested to notify the Director of the Reinsurance Services Division. Similarly, FCIC will notify the NAIC’s Financial Reporting and Analysis Division and the applicable state insolvency regulator. This will facilitate greater protection to insureds against the risk of their insurer’s insolvency.

**Section IX Other Issues**

National Crop Insurance Services (NCIS) is a trade organization with members, who are primarily insurance companies or MGA’s involved in either or both the MPCI and crop-hail businesses. NCIS provides certain analytical services to its members with regard to the MPCI program. It has no responsibility for data collection or maintenance for the MPCI program. There is no contractual relationship or formal working agreement between FCIC and the NCIS. With regard to the MPCI program, NCIS’s role is to provide certain services to its membership, such as distributing actuarial materials, developing educational materials, sponsoring loss adjuster schools, and other program information originated by FCIC. NCIS serves as a facilitator between its membership and FCIC for matters related to the MPCI program and serves as a statistical organization to its member companies. NCIS also provides actuarial, research, and other services to support crop-hail, a crop insurance line that is not regulated in any manner by FCIC.

FCIC currently requires that MPCI agents complete six hours of CE annually. These courses are approved by FCIC, although administered by crop insurers for their own agents. The crop-hail license satisfies the license requirement at present, however, FCIC requires an agent to complete the required CE prior to selling MPCI for any reinsured company. As a policy matter, this would also apply to loss adjusters. FCIC is concerned about protecting the ability of loss adjusters to work in others states where he, or she may not be licensed. In the period after a catastrophic event, it may be necessary for loss adjusters to work in states where they are not licensed in order to service and process claims promptly. It is a requirement of the SRA that reinsured AIPs provides MPCI training to agents and loss adjusters. Testing is also required. AIPs are required to document agent training and CE activities for future audit purposes and are advised to develop their own supporting report documentation. FCIC does not have a standard record keeping or reporting form for this purpose.
<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
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<tbody>
<tr>
<td>A&amp;O</td>
<td>Administrative and operating expenses paid by FCIC on behalf of the policyholder to AIPs for additional coverage level eligible crop insurance contracts</td>
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<tr>
<td>AGR</td>
<td>Adjusted Gross Revenue (a type of insurance policy)</td>
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<tr>
<td>AIP</td>
<td>Approved Insurance Provider</td>
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<tr>
<td>APH</td>
<td>Actual Production History</td>
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<tr>
<td>ARH</td>
<td>Actual Revenue History</td>
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<tr>
<td>CAPP®</td>
<td>Crop Adjuster Proficiency Program</td>
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<tr>
<td>CAT</td>
<td>The catastrophic level of coverage on a FCIC policy</td>
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<tr>
<td>CAT LAE</td>
<td>Reimbursement paid by FCIC for eligible crop insurance contracts at the CAT level of coverage</td>
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<tr>
<td>CE</td>
<td>Continuing Education</td>
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<tr>
<td>CFR</td>
<td>Code of Federal Regulations</td>
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<tr>
<td>FCIC</td>
<td>Federal Crop Insurance Corporation</td>
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<td>Act</td>
<td>Federal Crop Insurance Act</td>
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<tr>
<td>GRP</td>
<td>Group Risk Plan (a type of insurance policy)</td>
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<tr>
<td>GRIP</td>
<td>Group Risk Income Protection (a type of insurance policy)</td>
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<tr>
<td>LRP</td>
<td>Livestock Risk Protection</td>
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<td>LGM</td>
<td>Livestock Gross Margin</td>
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<td>MGA</td>
<td>Managing General Agent</td>
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<td>MPCI</td>
<td>Multiple Peril Crop Insurance (a type of insurance policy)</td>
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<tr>
<td>NAIC</td>
<td>National Association of Insurance Commissioners</td>
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<tr>
<td>NCIS</td>
<td>National Crop Insurance Services</td>
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<td>PP</td>
<td>Prevented Planting</td>
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<tr>
<td>PRF</td>
<td>Pasture, Rangeland, Forage</td>
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<td>RI</td>
<td>Rainfall Index</td>
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<tr>
<td>RIRS</td>
<td>Regulatory Information Retrieval System</td>
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<td>RMA</td>
<td>Risk Management Agency (Agency of USDA that manages FCIC)</td>
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<tr>
<td>RP</td>
<td>Revenue Protection (a type of insurance policy)</td>
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<tr>
<td>RPHE</td>
<td>Revenue Protection with Harvest Price Exclusion (a type of insurance policy)</td>
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<tr>
<td>SRA</td>
<td>Standard Reinsurance Agreement</td>
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<tr>
<td>USDA</td>
<td>United States Department of Agriculture</td>
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<tr>
<td>VI</td>
<td>Vegetative Index</td>
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<tr>
<td>YP</td>
<td>Yield Protection (a type of insurance policy)</td>
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</table>

**WEBSITES**


The National Association of Insurance Commissioners (NAIC) is the U.S. standard-setting and regulatory support organization created and governed by the chief insurance regulators from the 50 states, the District of Columbia and five U.S. territories. Through the NAIC, state insurance regulators establish standards and best practices, conduct peer review, and coordinate their regulatory oversight. NAIC staff supports these efforts and represents the collective views of state regulators domestically and internationally. NAIC members, together with the central resources of the NAIC, form the national system of state-based insurance regulation in the U.S.

For more information, visit www.naic.org.