

APPENDIX 2

PLAN OF OPERATIONS

STANDARD REINSURANCE AGREEMENT REINSURANCE YEAR BEGINNING JULY 1, 1997

The Plan of Operations (Plan) is incorporated by reference into the Standard Reinsurance Agreement (Agreement) between the Federal Crop Insurance Corporation (FCIC) and the Company. The Company must file a new Plan for each subsequent reinsurance year. Any changes in the Company's information submitted in the Plan must be reported by Company to FCIC within 15 days from the date of the change and will not be effective until accepted by FCIC.

The Plan must contain the information stated and the Company must certify the accuracy and completeness of the Plan. Information, documents, exhibits, or forms, are to be numbered in the Plan to correspond with the paragraphs herein to which they pertain.

1. The name, address, phone number, and tax identification number of the Company.
2. The names, address, and tax identification numbers of all other insurance companies who will issue eligible crop insurance contracts that are reinsured or insured by the Company.
3. The names, phone numbers, and addresses of a managing general agent, or any other organization or established place of business, except local agents and entities listed in 1 and 2 above, which is responsible for producing and electronically processing any business under this Agreement. Specify in what capacity each entity listed will act on behalf of the managing general agent.
4. If applicable, a letter from an officer of the Company as listed in the Company's Annual Statement filed with any State, authorizing and empowering a managing general agency or general agency to secure insurance liability on behalf of the Company in producing business under the Agreement and certifying that the MGA is in compliance with the laws and regulations governing MGAs, as specified in section V.G.3.
5. The names, titles, addresses, and telephone numbers of at least two persons designated by the Company as managers of the business produced under the Agreement. Each person will act as liaison or contact between the Company and FCIC regarding this Agreement.

6. The addresses and telephone numbers of each regional office, general agency, service center, sales agency, sales agent, or any other Company designated officer other than the Company's or managing general agency's home office that will retain original insurance documents relative to policyholder servicing (i.e., applications, acreage reports, summaries of coverage, proofs of loss and similar documents). (Note, if original insurance documents are retained by sales agencies or sales agents, the Company must also report this in accordance with Manual 13).
7. The names and address of organizations other than the Company that will provide the following services if any for business reinsured under the Agreement.
 - a. Administration of rates and development of policies and forms.
 - b. Preparation of data for transmission to FCIC.
 - c. Issuance of FCIC approved policies and procedures.
 - d. Loss adjustment services, (If loss adjustment services are provided on a regional, State, or other area basis, the area(s) must be disclosed).
8. Identification of all licenses held by the Company and its policy issuing companies under the insurance laws or regulations of all States in which the Company produces business reinsured under this Agreement including, but not limited to, the license number or other identifier, the date each license was issued and its expiration date or renewal date, and whether or not the license is perpetual.
9. A copy of the Company's most recent annual and quarterly statements filed with the Insurance Department for the State in which the Company is domiciled; a copy of any report on internal controls or management recommendations received from independent auditors; the Statutory Management Discussion and Analysis; the most recent State Insurance Department Examination Report; the Actuarial Opinion of Reserves; the Annual Audited Financial Report; and any other information determined necessary by FCIC.
10. A copy of the Company's current financial ratios defined in the National Association of Insurance Commissioners Insurance Regulatory Information System IRIS) as required by FCIC.
11. The maximum premium volume for which the company requests reinsurance for the reinsurance year. (This may be more than the total provided in Exhibit 12).
12. Estimates of the net book premium to be designated in each fund within each State for the reinsurance year (see Exhibit 12).

13. A declaration of the percent of the net book premiums and associated liability for ultimate net losses the Company will retain in the Commercial Funds within each State (see Exhibit 13). Enter zero(s) if the Company elects not to use this fund as declared in Exhibit 16.
14. A declaration of the percent of net book premiums and associated liability for ultimate net losses the Company will retain in the Departmental Funds within each State (see Exhibit 14).
15. A declaration as to the Company's intention to participate in the Assigned Risk Fund.
16. A declaration as to the Company's intention to either participate or not participate in the Commercial Fund.
17. The name and address of the Company or general agency and the bank that will make electronic fund transfer (EFT) payment to FCIC for the Company.
18. The name and address of the organization to whom payments from FCIC should be remitted for amounts due on Monthly and Annual Summary reports.
19. A declaration as to the Company's intention to use the Escrow Agreement, if applicable, if reimbursements by FCIC for losses paid by the Company will be made through the procedures covered by the Escrow Agreement (see Exhibit 29).
20. A report of the Company's reportable expenses for business reinsured under this Agreement for the previous calendar year, as provided below, using the National Association of Insurance Commissioners (NAIC) allocation methods contained in the most recent Financial Condition Examiners Handbook, Uniform Accounting Section, Parts I through V., and Exhibit 20A.
 - a. Exhibit 20A – Guidelines for preparing Exhibit 20B
 - b. Exhibit 20B – Allocation of Expense Groups for FCIC reinsured business. Expenses are to be shown gross (i.e. – before A&O subsidy) and by expense group and classification using the guidelines found in Exhibit 20A. A&O subsidy should be shown on line 23 and net book premium on line 24.
 - c. The NAIC Insurance Expense Exhibit (IEE) filed with the Insurance Department for the State in which the Company is domiciled.

21. A declaration as to the Company's intention to place a portion of its net liability (after FCIC reinsurance) in the commercial reinsurance market. If commercial reinsurance is used to satisfy FCIC's Standards for Approval (7 C.F.R. part 400, subpart L), the following information is required by March 1 of each reinsurance year, unless requested earlier by FCIC.
 - a. The percent subscribed by each reinsurer to each treaty, or binder, and the names of each reinsurer, intermediary, or broker.
 - b. A copy of the reinsurance treaties issued to the Company with a description of the type of reinsurance, attachment points and limits, aggregate limits, minimum deposit, and variable premium rates.
22. A plan of how the Company will service the policies reinsured under the Agreement in the event the managing general agent is no longer able to meet the requirements of section II.A.9. of the Agreement or is not eligible to participate in the Federal crop insurance program.
23. With respect to the training requirements contained in Manual 14:
 - a. Identify the names and titles of persons who will have oversight responsibilities for the training programs.
 - b. Describe the process by which the Company will implement its training programs to comply with the training requirements of paragraphs 6 of Manual 14.
24. With respect to the quality control requirement of Manual 14:
 - a. Identify the names and titles of persons who will have oversight responsibilities for the quality control programs.
 - b. Provide the annual written summary report required in Manual 14.
 - c. Describe the process by which the Company will implement the quality control plan required in Manual 14.

(NOTE: Each assurance statement referenced in items 25-28 below must be signed by the same officer of the Company accepting and signing this Agreement for the Company)

25. In accordance with section I. of Appendix 1, the Company must submit its assurance statement regarding procurement integrity. The statement must provide FCIC the assurance that requirements under this section are met.
26. In accordance with section II. of Appendix 1, the Company must submit its assurance statement regarding a drug free workplace. The assurance statement describe an outline of the Company's procedure to ensure that requirements of this section are met.
27. In accordance with section III. of Appendix 1, the Company must complete and submit OMB Form LLL, Disclosure of Lobbying Activities (Exhibit 27), and specify the period of time to which such completed form applies.
28. The Company must submit its assurance statement regarding discrimination.