



United States Department of Agriculture

Farm and Foreign Agricultural Services  
Risk Management Agency

December 23, 2002

**BULLETIN NO.: MGR-02-024**

TO: All Reinsured Companies  
All Risk Management Field Offices  
All Other Interested Parties

FROM: Ross J. Davidson, Jr. /s/ David C. Hatch, for  
Administrator

SUBJECT: Amendment No. 4 to the 1998 Standard Reinsurance Agreement (SRA)

**BACKGROUND:**

On October 22, 2002, the Federal Crop Insurance Corporation (FCIC) Board of Directors (Board) approved the Adjusted Gross Revenue-Lite (AGR-Lite) program beginning the 2003 crop year. The Board approved reinsurance under the terms provided for revenue insurance plans, and administrative and operating expense subsidy of 24.5 percent of net book premium. Amendment No. 4 is an optional amendment and needs only to be executed by companies who intend to market AGR-Lite policies. The AGR-Lite policy language, forms and rates are available through the Reporting Organization Server.

The counties where AGR-Lite coverage will be available are:

Pennsylvania All counties except Philadelphia County

**ACTION:**

To reinsure AGR-Lite policies, the 1998 SRA in effect for the 2003 reinsurance year is amended as follows:

- 1) The amendment applies to AGR-Lite policies only.
- 2) Section I. is revised to incorporate new or to amend definitions
- 3) Section II.A.1. is revised to accept AGR-Lite policies based on the Underwriting Capacity Manager.



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- 4) Section III.A.2. is revised to specify the percent of net-book premium paid by FCIC as administrative and operating expense subsidy for AGR-Lite.
- 5) Section III.G. was revised to require the reporting of data on which the liabilities and premium are based by the transaction cut-off date for the April accounting cut-off.
- 6) Section V.B.1. was revised to require the submission of accurate and detailed contract data to FCIC through the DAS or e-DAS system in accordance with the requirements of Manual 13.
- 7) Section V.I.4.a. was amended to require the Company to report to FCIC through the DAS or e-DAS systems the correct amount of indemnities or premiums.

Two copies of Amendment No. 4 to the 1998 SRA must be executed for FCIC to provide reinsurance and subsidy on AGR-Lite policies during the 2003 and subsequent reinsurance years. Each copy must be signed as an original and returned to FCIC at the address shown below via overnight mail by January 9, 2003. The Amendment should be signed by the person authorized by the Company's Board of Directors to enter into the SRA.

OVERNIGHT MAIL:

USDA/Risk Management Agency  
Reinsurance Services Division  
E. Heyward Baker, Director  
1400 Independence Avenue, SW  
Stop Code: 0804  
Room 6727-South Building  
Washington, DC 20250  
Phone: (202) 720-4232

Questions regarding this bulletin may be addressed to E. Heyward Baker, Director, Reinsurance Services Division, at (202) 720-4232.

Attachment

**AMENDMENT NO. 4 TO THE 1998 STANDARD REINSURANCE AGREEMENT  
(THIS AMENDMENT IS OPTIONAL)**

The 1998 Standard Reinsurance Agreement, between the Federal Crop Insurance Corporation and the undersigned Company, is hereby amended for the 2003 and, if applicable, subsequent reinsurance years, and with respect to the AGR-Lite insurance plan only, as follows:

(I) Section I. is revised to read as follows:

**“Adjusted Gross Revenue Lite (AGR-Lite)”** refers to the Adjusted Gross Revenue Lite insurance plan.

**“Data Acceptance System (DAS)”** means an EDP system that receives, and accepts or rejects certain Company-submitted data for eligible crop insurance contracts upon which payments to FCIC and the Company are based.

**“Electronic Data Acceptance System (e-DAS)”** means an EDP system that receives, and accepts or rejects Company submitted AGR-Lite insurance contract livestock coverage data upon which payments to FCIC and the Company are based.

**“Crop insurance contract”** means an agreement (with the terms in effect as of the contract change date) to insure the insurable interest of an eligible producer in the farm revenue attributed to the production or sale of agricultural commodities of an eligible producer, as provided by the application, AGR-Lite policy, the Special Provisions, the Actuarial Table, and any other instrument or endorsement as approved by FCIC.

**“Eligible crop insurance contract”** means a crop insurance contract that is sold and serviced consistent with the Act, 7 C.F.R. chapter IV, FCIC approved regulations and procedures, at applicable rates, terms, and special conditions; having a sales closing date within the reinsurance year; to an eligible producer, covering farm revenue attributed to the production or sale of agricultural commodities, and on forms approved in writing by FCIC.

**“Eligible producer”** means a person who meets all the conditions specified in 7 C.F.R. Chapter IV and the AGR-Lite policy.

**“Insurable interest”** means the portion of farm revenue attributed to the production or sale of agricultural commodities a person has at risk in the event of an insurable loss.

**“Insurance plan”** means the type of insurance coverage provided for the farm revenue attributed to the production or sale of agricultural commodities. For example, a crop may be insured under the GRP plan, a revenue insurance plan, or a guaranteed-yield plan. Differences in levels of coverage do not create different plans.

**AMENDMENT NO. 4 TO THE 1998 STANDARD REINSURANCE AGREEMENT**

**"Sales closing date"** means the date established by FCIC as the last date on which a producer may apply for an eligible crop insurance contract for farm revenue attributed to the production or sale of agricultural commodities.

**"Underwriting Capacity Manager" (UCM)** means the FCIC system that monitors FCIC's underwriting capacity for AGR-Lite insurance contract livestock coverage and accepts or rejects the application of the eligible producer based on capacity availability.

(II) Section II.A.1. is revised to read as follows:

1. Except as provided herein, only eligible crop insurance contracts will be reinsured and subsidized under this Agreement. AGR-Lite insurance contracts that are not accepted by the UCM will not be eligible for reinsurance or subsidy, even if they meet the definition of eligible crop insurance contract.

(III) Section III.A.2. is amended by designating subparagraph (e) as subparagraph (f), and adding a new subparagraph (e) to read as follows:

- e. For any eligible AGR-Lite insurance contract, 24.5 percent of the net book premium attributed to such eligible crop insurance contracts.

(IV) Section III.G. is revised to add at the end the following:

All AGR-Lite data on which liabilities and premiums are based must be reported by the Company and accepted by FCIC not later than the transaction cut-off date for the April accounting cut-off. The A&O subsidy for AGR-Lite eligible crop insurance contracts under this Agreement will be reduced 4.5 percent if the data are delayed and not received by the April accounting cut-off, unless the delay is caused in whole or in part by FCIC.

(V) Section V.B.1. is revised to read as follows:

1. The Company must submit accurate and detailed contract data to FCIC through the DAS or e-DAS in accordance with the requirements of Manual 13. The DAS or e-DAS will only accept, and the Company will only be required to submit data through the automated system for 3 years following the first annual settlement for the reinsurance year. Settlement of claims still in litigation, arbitration, or any administrative proceeding 3 years after the first annual settlement for such reinsurance year must be reported to FCIC and will be processed manually following final resolution of such action.

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(VI) Section V.I.4.a. is amended to read as follows:

- a. FCIC shall require the Company to report to FCIC through the DAS or e-DAS systems the correct amount of indemnities or premiums.

The undersigned Company representative acknowledges that the Company's Board of Directors has authorized the Company to enter into this Amendment of the 1998 Standard Reinsurance Agreement.

**APPROVED AND ACCEPTED**  
for

Federal Crop Insurance Corporation

The Company

Signature \_\_\_\_\_

Signature \_\_\_\_\_

Name \_\_\_\_\_

Name \_\_\_\_\_

Title \_\_\_\_\_

Title \_\_\_\_\_

Date \_\_\_\_\_

Date \_\_\_\_\_

Cc: IS Chron File  
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