

STANDARD REINSURANCE AGREEMENT

between the

FEDERAL CROP INSURANCE CORPORATION

and the

(Insurance Company Name) (Hereafter “Company”)

(City and State)

This Agreement establishes the terms and conditions under which the Federal Crop Insurance Corporation (FCIC), supervised by the Risk Management Agency (RMA) as authorized in section 226A of the Federal Agriculture Improvement and Reform Act of 1996, will provide subsidy and reinsurance on eligible crop insurance contracts sold by the Company. This Agreement is authorized by the Act and regulations of FCIC published at 7 C.F.R. chapter IV (regulations).

This is a cooperative financial assistance agreement between FCIC and the Company to deliver eligible crop insurance contracts under the authority of the Act. For the purposes of this Agreement, use of the plural form of a word includes the singular and use of the singular form of a word includes the plural unless the context indicates otherwise. The headings in this Agreement are descriptive only and have no legal effect on FCIC or the Company.

This Agreement becomes effective for the 2005 reinsurance year upon execution of this Agreement and approval of the Company's Plan of Operations by FCIC and for any subsequent reinsurance year in accordance with section IV.L. and upon approval of the Company's Plan of Operation by FCIC.

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SECTION I. DEFINITIONS

To the maximum extent practicable, terms that have been defined in the incorporated regulations will be given the same meaning for the purpose of this Agreement. Since some terms may have more than one definition in the regulations, the regulation to be used will be specified herein.

“Act” in lieu of the definition in the incorporated regulations, means the Federal Crop Insurance Act (7 U.S.C. 1501 *et seq.*) and section 536 of the Agricultural Research, Extension, and Education Reform Act of 1998 (7 U.S.C. 1506 note).

“Actuarial data master file” means the hard copy and electronic data processing (EDP) compatible information distributed by FCIC that contains premium rates, program dates, and related information concerning the crop insurance program for a crop year.

“Additional coverage” has the same meaning as the term “additional coverage” in section 502 (b)(1) of the Act.

“A&O subsidy” means the subsidy for the administrative and operating expenses paid by FCIC on behalf of the policyholder to the Company for eligible crop insurance contracts.

“Administrative fee” means the processing fee the policyholder must pay under an eligible crop insurance contract.

“Affiliate” means any person, including a managing general agent, that directly or indirectly, through one or more intermediaries, controls, directs or causes the direction of the management of the book of business, or any other decision made under this Agreement; collects premiums, services the policy, adjusts, or settles claims; or collects, processes, manages and reports electronic data for the purposes of selling, administering, or servicing eligible crop insurance contracts for the Company (including but not limited to agents, agencies, managing general agents, loss adjusters, and commercial reinsurers only if such reinsurers control the management of the book of business, etc.).

“Agency” means the person authorized by an AIP, or its designee, to sell and service eligible crop insurance contracts under the Federal crop insurance program.

“Agent” means the individual licensed by the State in which an eligible crop insurance contract is sold and serviced for the reinsurance year, and who is under contract with an AIP, or an affiliate of an AIP, to sell and service such eligible crop insurance contracts.

“Agreement” means this Standard Reinsurance Agreement, including Appendices, the Act, and regulations published at 7 C.F.R chapter IV (regulations), in effect as of the July 1 start of the reinsurance year, unless otherwise provided for in the Agreement. An Agreement in effect for a reinsurance year constitutes a separate and distinct Agreement from any Agreement that may be in effect for any other reinsurance year, even if the Agreement has been renewed in accordance with section IV.L. Unless specifically provided for in this

Agreement, if there is a conflict between a provision of the Act, the regulations, or procedures with the terms of this Agreement, the order of precedence will be: (1) the provisions of the Act; (2) the regulations; (3) this Agreement; and (4) the procedures, with (1) controlling (2) and (2) controlling (3), etc. The Act and regulations are available on the RMA website (www.rma.usda.gov).

“Agricultural commodity” has the same meaning as the term “agricultural commodity” in section 518 of the Act, excluding livestock.

“Annual settlement” means the settlement of accounts between the Company and FCIC for the reinsurance year, beginning with the February monthly transaction cutoff date following the reinsurance year and continuing monthly thereafter as necessary.

“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.

“Billing date” means the date specified in the actuarial data master file as the date by which policyholders are billed for premium due on eligible crop insurance contracts.

“Board” means the FCIC Board of Directors.

“Book of business” means the aggregation of all eligible crop insurance contracts in force between the Company and its policyholders that have a sales closing date within the reinsurance year and are eligible to be reinsured under this Agreement.

“Cancellation date” has the same meaning as the term “cancellation date” in the applicable eligible crop insurance contract.

“Cede” means to pass to another all or part of the net book premium and associated liability for ultimate net losses on eligible crop insurance contracts.

“Claim” For the purposes of section II.A.15. and section V. of Appendix IV only, means a loss associated with a single event or notice of loss (on a policy, as defined in the eligible crop insurance contract, basis) that may result in an indemnity. For all other purposes “claim” means a request under an eligible crop insurance contract for an indemnity in an amount certain on a Company form that meets FCIC’s standards.

“Claims supervisor” means any person having immediate or day-to-day supervisory control, management or oversight authority of the activities of loss adjusters or other persons who determine whether an indemnity will be paid and the amount thereof.

“Company payment date” means the last business day of the month.

“Competing agency” means an agency selling or servicing any eligible crop insurance contract in any county (including all counties adjoining such county) in which another agency has sold or is in the process of selling any eligible crop insurance contract.

“Contract change date” has the same meaning as the term “contract change date” in the applicable eligible crop insurance contract.

“Cooperative Association” means a farmer or rancher-owned and controlled business that qualifies as a cooperative under the Capper-Volstead Act of 1922.

“Data Acceptance System (DAS)” means the EDP system that receives, and accepts or rejects Company-submitted data for eligible crop insurance contracts.

“Eligible crop insurance contract” means an insurance contract for an agricultural commodity authorized by the Act and approved by FCIC, with terms and conditions in effect as of the contract change date, that is sold and serviced consistent with the Act, FCIC regulations and procedures and this Agreement, having a sales closing date within the reinsurance year, and with an eligible producer.

“Eligible producer” means a person who has an insurable interest in an agricultural commodity, who has not been determined ineligible to participate in the Federal crop insurance program, and who possesses a United States issued social security number (SSN) or employer identification number (EIN).

“Familial relationship” means the same as “relative.”

“FCIC payment date” means the first banking day following the 14th calendar day after FCIC receives the signed, certified monthly or annual settlement report and supporting data from the Company upon which any payment is based.

“File review” means the review of documents contained in a policyholder’s file folder verifying that the information has been properly entered thereon and that supporting documents, including actuarial materials, have been properly used in document completion.

“Field inspections” means a visit to the policyholder’s farming operation for the purpose of making findings necessary to determine eligibility, compliance with program terms and conditions, the correct premium and any indemnity, prevented planting or replant payment, whether agents and loss adjusters have complied with all applicable procedures and include, but are not limited to, reviews for preliminary and final loss adjustment, pre-harvest or growing season inspection, and pre-acceptance inspections, the verification of adequate records, a determination that the reported practice is being carried out in accordance with good farming practices, a determination of whether the crop has been replanted, or to evaluate an agent or loss adjuster conduct or the circumstances of a loss.

“Insurable interest” has the same meaning as the term “share” in the applicable eligible crop insurance contract.

“Loss adjuster” means a person who verifies information affecting the coverage and makes factual determinations regarding existence or amount of loss under an eligible crop insurance contract.

“Loss ratio” means the ratio calculated by dividing the ultimate net loss by the net book premium, expressed as a percentage. For example, the ratio of \$1 ultimate net loss to 50 cents net book premium would be expressed as 200 percent.

“Managing General Agent” is an entity that meets the definition of managing general agent under the laws of the State in which it is incorporated and in every other state in which it operates, or in the absence of such State law or regulation, meets the definition of a managing general agency in the National Association of Insurance Commissioners Managing General Agents Act, or successor Act.

“Material” means an act or omission that would: 1) cause FCIC to assume a risk it would not otherwise have assumed but for the act or omission; 2) cause the amount paid by or to FCIC to increase over an amount that would otherwise be paid or owed but for the act or omission; 3) likely to preclude or make it more difficult to carry out the requirements of the Agreement and procedures; or 4) create a program vulnerability that could cause a payment to be made or be higher than it otherwise would be if the act or omission had not occurred.

“Net book premium” means the total premium as determined in section IV.B.9. calculated for all eligible crop insurance contracts, less A&O subsidy, cancellations, adjustments and administrative fees.

“Person” means an individual or legal entity.

“Plan of Insurance” means a type of a crop insurance contract such as a revenue or a group risk plan of insurance.

“Policy Issuing Company (PIC)” means an insurance company, contracted by the Company to issue eligible crop insurance contracts, that does not meet the definition of an affiliate.

“Policyholder” means an eligible producer who has been issued one or more eligible crop insurance contracts.

“Procedures” means the handbooks, manuals, bulletins, memorandums or other directives issued by FCIC.

“Producer premium” means that portion of the premium for an eligible crop insurance contract payable by the policyholder.

“Rebate” means a direct or indirect benefit (including money, goods or services for which payment is usually made [except any service provided to fulfill an obligation of the Company under this Agreement such as mapping and acreage measurement services]) provided to an eligible producer contingent upon the purchase of an eligible crop insurance contract from the Company or its affiliate.

“Records” means information received or generated by the Company or an affiliate that relates to an eligible crop insurance contract or this Agreement. Such information includes signed documents and any other documents or electronic information either produced by the Company or its affiliate or obtained from outside sources or the policyholder that are utilized by the Company or its affiliate to establish, calculate, verify or determine a policyholder’s program eligibility, insurance coverage, actual production history (APH) yields, premium, liability, or indemnity.

“Reinsurance year” means the period from July 1 of any year through June 30 of the following year and identified by reference to the year containing June.

“Relative” means parents, brothers, sisters, children, spouse, grandchildren, aunts, uncles, first cousins, or grandparents, related by blood, adoption or marriage.

“Retained” as applied to ultimate net losses, net book premium, or book of business, means the remaining liability for ultimate net losses and the right to associated net book premiums after all reinsurance ceded to FCIC under this Agreement.

“Risk subsidy” means that portion of the premium for an eligible crop insurance contract paid by FCIC on behalf of the policyholder.

“Sales closing date” has the same meaning as the term “sales closing date” in the applicable eligible crop insurance contract.

“Sales supervisor” means any person having immediate or day-to-day supervisory control, management or oversight authority of the activities of sales agents, competing agencies or sales agency employees on behalf of the Company.

“Satisfactory performance record” means a record of performance that demonstrates substantial conformity with applicable requirements as specified in section II.A.11. Continued failure to meet such requirements is a determining factor in evaluating satisfactory performance.

“Service provider” means managing general agents, and any person or entity who sells, issues or services eligible crop insurance contracts, prepares or transmits data, or, who on a regional, State or other area basis, provides loss adjustment services.

“Signature” means the affixing of a person's name in a distinctive way as a form of identification or authorization, including in an electronic or digital form as approved by FCIC.

“Supplemental insurance” means a contract of insurance or similar instrument developed by a Company or its affiliate, written in conjunction with an eligible crop insurance contract, and which is not reinsured by FCIC.

“Trade association” means an entity that is not chartered as a cooperative, but operates as a cooperative in that it is owned and operated for the benefit of its members, including the manner in which it distributes its dividends and assets.

“Transaction cutoff date” for weekly data reporting is 6 p.m. Central time on Friday of each week and for monthly data reporting is 6 p.m. Central time on Friday after the first Sunday of the month.

“Ultimate net loss” means the amount paid by the Company under any eligible crop insurance contract reinsured under this Agreement in settlement of any claim and in satisfaction of any judgment, arbitration award, or mediation rendered on account of a claim under an eligible crop insurance contract, less any recovery or salvage by the Company.

“Underwriting” means the determination of the terms and conditions by which the Company will accept the risk for an eligible crop insurance contract.

“Underwriting Capacity Manager” (UCM) means an FCIC system that monitors the amount of insurance authorized to be insured or reinsured, and accepts or rejects the application of an eligible producer based on the availability of such amount of insurance, if limits have been placed by Federal legislation or the Board on the amount of insurance authorized to be insured or reinsured.

“Underwriting gain” means the amount by which the Company’s share of retained net book premium exceeds its retained ultimate net losses.

“Underwriting loss” means the amount by which the Company’s share of retained ultimate net losses exceeds its retained net book premium.

SECTION II. REINSURANCE

A. General Terms

1. Except as provided in this Agreement, only eligible crop insurance contracts will be reinsured and subsidized under this Agreement. Notwithstanding section II.A.2, applications for eligible crop insurance contracts that are rejected by the UCM, as applicable, will not be eligible for reinsurance or A&O or risk subsidies.
2. Except as specified below, the Company must offer and market all plans of insurance for all crops in any State where actuarial documents are available in which it writes an eligible crop insurance contract and must accept and approve applications from all eligible producers. The Company may not cancel an eligible

crop insurance contract held by a policyholder so long as the policyholder remains an eligible producer and the Company continues to write eligible crop insurance contracts within the State. The Company is not required to offer such plans of insurance as may be approved by FCIC under the authority of section 508(h) of the Act. However, if the Company chooses to offer any such plan, it must offer the plan in all approved states in which it writes an eligible crop insurance contract and it must comply with all provisions of this paragraph as to such plan.

3. In exchange for the reinsurance premiums provided by the Company pursuant to this Agreement, FCIC will provide the Company with reinsurance in accordance with the provisions of this Agreement.
4. A Company or its affiliate is prohibited from providing a rebate except as provided in paragraph 5.
5. Certain provisions of the Act permit the payment of CAT administrative fees on behalf of eligible producers that may otherwise be considered a rebate. The Company or its affiliates may pay a licensing fee or make other payment to a cooperative association or trade association for such cooperative association or trade association to pay the administrative fee for CAT eligible crop insurance contracts, in those States (and contiguous states), where such payment would not be in violation of the applicable State's law regarding rebating, if:
 - a. The State's law permits a licensing fee or other payment to be paid to a cooperative association or trade association and rebated to the policyholder;
 - b. The policyholder is a member of the cooperative or trade association;
 - c. The Company obtains letters from the applicable State Insurance Departments stating whether the return to the producer of licensing fees or other payments made by the Company to the cooperative or trade association is in compliance with the rebating laws of such State and provide a copy of such letters to FCIC prior to making payment of any licensing fee or other payment;
 - d. The Company identifies in its Plan of Operations any cooperative association or trade association to which it pays a licensing fee or makes other payment, including the payment of agent commissions (If the Company agrees to pay a cooperative association or trade association a licensing fee or make other payment after the date the Plan of Operations is submitted to FCIC, the Company must notify FCIC of the relationship within 30 days of entering the agreement.);
 - e. The Company shall remit all applicable administrative fees to FCIC;

- f. No portion of the licensing fees or other payments made to the cooperative association or trade association may be used to pay all or any portion of the eligible producers premium or to make other payment to the eligible producer unless the conditions in paragraph 6. have been met; and
 - g. The Company complies with all other applicable procedures.
6. It is not a rebate for the Company or its affiliates to pay a licensing fee or make other payments to a cooperative association, trade association or other similar organization that may be distributed to its members if it is:
- a. Equally distributed to each member of the cooperative association, trade association or other similar organization, in the form of a patronage dividend or other payment, even if such member never purchased an eligible crop insurance contract;
 - b. Submitted for approval to FCIC in the Plan of Operations the Company's intention to make such payments and include a letter from the appropriate State Insurance Department that such payments and the distribution of such payments is allowed under the State's insurance law;
 - c. Not used as a requirement for a member to purchase eligible crop insurance contracts from a specific company or its affiliate;
 - d. Not used as an inducement for the purchase of other goods or services, including but not limited to discounted loan rates if eligible crop insurance contracts are purchased from a particular company or its affiliate;
 - e. Not paid to a cooperative association or other similar organization which is established for the primary purpose of receiving and distributing crop insurance licensing fees or other payments from the Company or its affiliates (for the purposes of this paragraph "primary purpose" means that the cooperative association or other similar organization derives more than 50 percent of its income from Federal crop insurance revenues); and
 - f. Compliant with all other applicable procedures.
7. Violation of paragraphs 4, 5 and 6 will result in the denial of reinsurance, A&O subsidy and risk subsidy for all eligible crop insurance contracts for which such violation occurred and may subject the person who committed the violation to administrative sanctions, including disqualification under the Act or applicable regulations.
8. The Company shall ensure that all of its employees, agents, agency employees, loss adjusters and contractors that act on behalf of the Company with respect to the applicable procedures and requirements associated with selling and servicing

eligible crop insurance contracts are properly licensed by the State in which they are doing business if required by the State, certified by FCIC, as applicable, and trained in accordance with Appendix IV. Such training shall include curricula concerning requirements under applicable Federal civil rights statutes; and methods to encourage participation of limited resource, women, minority, and under served producers.

- a. The Company and its affiliates shall develop and maintain training records in accordance with section IV.G. (similar records shall be kept regarding certification of loss adjusters, agents, and others required under this Agreement) that contain:
 - i. A list of the individuals who must be trained and the training required for each;
 - ii. A copy of the curriculum used for all required training sessions;
 - iii. When, where, how, and by whom such training was provided; and
 - iv. A list of all individuals who successfully completed the required training.
 - b. Any employee, agent, agency employee, loss adjuster and contractor who is not licensed if required by the State in which they are doing business, who does not successfully complete the training required by FCIC, or is not certified if required by FCIC, may not act on behalf of the Company with respect to the sales and service of eligible crop insurance contracts.
9. Only the amount of net book premium authorized by FCIC in the approved Plan of Operations, including any amendments under section IV.F.2.e., may be reinsured and subsidized under this Agreement.
10. The Company shall have the financial and operational resources, organization, experience, internal controls, and technical skills to meet the requirements, including addressing reasonable risks, associated with the Agreement, including 7 C.F.R. part 400, subpart L, as determined by FCIC. The Company shall provide information necessary to evaluate compliance with this paragraph as often as required by FCIC. If at any time during the reinsurance year FCIC cannot determine that the Company is in compliance with the requirements of this paragraph or FCIC learns that the Company may be in substantial risk for failure to comply with the requirements of this paragraph, the Company must take corrective actions acceptable to FCIC in accordance with section IV.H.4., or be subject to the remedies provided for in this Agreement.

11. The Company must demonstrate a satisfactory performance record to obtain an Agreement and continue to hold an Agreement. The following will be reviewed to determine whether there is a satisfactory performance record:
 - a. In past reinsurance year(s), the Company and service providers must demonstrate:
 - i. Substantial conformity with the requirements of this Agreement, the regulations and procedures of FCIC as applicable; and the requirements, rules, and laws of the applicable State where business under this Agreement is conducted;
 - ii. Any deficiency was caused by circumstances beyond the Company's control, and where, as soon as the Company discovered the deficiency, the Company took timely and appropriate corrective action;
 - iii. There was no material misconduct on the part of the Company or its service providers; and
 - iv. To the satisfaction of FCIC, any other mitigating factors that would prove, notwithstanding any identified deficiency, the Company has a satisfactory performance record.
 - b. Whether the Company can, to the satisfaction of FCIC, demonstrate the ability to comply with the requirements of paragraph 10.;
 - c. Whether the Company can demonstrate the ability to fulfill the requirements under this Agreement under various risk assessment scenarios, including but not limited to significant nationwide losses, the loss or failure of a service provider or other risks as identified by FCIC.
 - d. Whether FCIC or a State has identified any deficiencies with the Company, or its affiliates, that may raise questions or concerns regarding the Company's ability to meet the requirements of this Agreement.
12. Failure to meet the conditions stated in paragraphs 10. and 11., may subject the Company to appropriate remedies in this Agreement, including but not limited to denial of an Agreement, suspension of the Agreement or a reduction in the net book premium the Company is authorized to write. If the Company disputes FCIC's action it may seek an appropriate remedy under section IV. K.
13. Unless otherwise specifically approved by FCIC in advance in writing, the Company may only delegate its authority or control over the designation of eligible crop insurance contracts to the reinsurance funds to its managing general agent and the Company must include the delegation in its Plan of Operation.

14. Failure of the Company to comply with the provisions of this Agreement, including timely submission of data and reports, does not excuse or delay the Company's requirement to pay any amount due to FCIC by the dates specified herein.
15. As a condition of reinsurance, the Company must immediately notify FCIC upon receiving notice of potential loss on an eligible crop insurance contract, which loss is likely to exceed \$500,000, or such other amount as determined by FCIC.
 - a. FCIC, at its discretion, retains the right to conduct a file review of the Company loss adjustment or directly participate in loss determinations in accordance with section V. of Appendix IV., and determine, revise, modify or correct any claim for loss under this paragraph before such amounts may be paid.
 - b. Company loss payments approved by FCIC will not subject the Company to further review by FCIC.
 - c. In the event FCIC participates in the field inspection and loss determination, or determines, revises, modifies or corrects any claim for loss, FCIC shall be responsible for any subsequent disputes by the policyholder under the eligible crop insurance contract. The Company shall provide FCIC with cooperation and assistance as needed in any dispute.
16. The Company shall fully cooperate with FCIC in the collection of information required under section 10708 of the Farm Security and Rural Investment Act of 2002.
17. Neither the Company nor its affiliates shall assess service fees or additional charges on eligible crop insurance contracts reinsured and subsidized under this Agreement except as authorized by the Act and approved by FCIC in writing.

B. Reinsurance

1. Within each State, the Company, in accordance with its Plan of Operations, must designate eligible crop insurance contracts to the Assigned Risk Fund, Developmental Fund or Commercial Fund.
2. The Company must designate eligible crop insurance contracts to a Fund not later than:
 - a. For the year of application for an eligible crop insurance contract (a change in plan of insurance for an existing eligible crop insurance contract will be considered the year of application), the transaction cutoff date for the week including the 30th calendar day after the sales closing date for the eligible crop insurance contract;

- b. For the initial year of the written agreement only, the Company may designate such eligible crop insurance contract to any fund not later than the transaction cutoff date for the week containing the 30th calendar day after FCIC approval; and
 - c. For an existing eligible crop insurance contract in a subsequent reinsurance year or for any continuous written agreement, the transaction cutoff date for the week including the sales closing date for the eligible crop insurance contract (for any agricultural commodity without a fixed sales closing date, the transaction cutoff date for the week including 30 days after the end of the insurance period).
3. Assigned Risk Fund

The Company may designate eligible crop insurance contracts that have an aggregate net book premium not greater than the maximum cession limits specified in this paragraph to the Assigned Risk Fund for each State. The net book premium associated with eligible crop insurance contracts for pilot programs, as solely determined by FCIC, will not count against the maximum cession limits.

- a. The Company must retain 25 percent of the net book premium and associated liability for ultimate net losses on eligible crop insurance contracts designated to the Assigned Risk Fund, except as provided in paragraph 6. The net book premium and associated liability for ultimate net losses not retained by the Company within the Assigned Risk Fund for each State will be ceded to FCIC.

- b. The Assigned Risk Fund maximum cession limits for each State are:

<u>State</u>	<u>Maximum Cession</u>	<u>State</u>	<u>Maximum Cession</u>
Alabama	55%	Montana	75%
Alaska	75%	Nebraska	25%
Arizona	55%	Nevada	75%
Arkansas	50%	New Hampshire	20%
California	20%	New Jersey	50%
Colorado	40%	New Mexico	55%
Connecticut	45%	New York	45%
Delaware	30%	North Carolina	45%
Florida	40%	North Dakota	65%
Georgia	75%	Ohio	25%
Hawaii	15%	Oklahoma	55%
Idaho	45%	Oregon	45%
Illinois	20%	Pennsylvania	35%
Indiana	25%	Rhode Island	75%
Iowa	15%	South Carolina	60%
Kansas	35%	South Dakota	40%
Kentucky	30%	Tennessee	40%
Louisiana	55%	Texas	75%
Maine	75%	Utah	75%
Maryland	20%	Vermont	15%
Massachusetts	50%	Virginia	35%
Michigan	50%	Washington	30%
Minnesota	25%	West Virginia	75%
Mississippi	65%	Wisconsin	35%
Missouri	20%	Wyoming	40%

- c. Unless otherwise specified in the Agreement, in the event the aggregate net book premium for all such eligible crop insurance contracts exceeds the maximum allowable cession for any individual State, the amount ceded for each eligible crop insurance contract in such State will be reduced pro-rata to the maximum allowable cession for that State. The net book premium and associated liability for ultimate net losses that exceed the maximum allowable cession for an individual State will be placed in the appropriate Developmental Funds for that State on a *pro rata* basis.

4. Developmental Funds

- a. The Company must designate eligible crop insurance contracts to any of three Developmental Funds as follows:

Fund C CAT;

Fund R Revenue insurance plans; or
Fund B All other crop insurance plans.

- b. The Company must retain at least 35 percent of the net book premium and associated liability for ultimate net losses on eligible crop insurance contracts designated to each of the Developmental Funds in each State. Retention in the Developmental Funds in each State must be made in 5 percent increments. The three Developmental Funds' retention percentages may differ within a State. The net book premium and associated liability for ultimate net losses not retained by the Company within the Developmental Fund for each State will be ceded to FCIC.

5. Commercial Funds

- a. The Company must designate eligible crop insurance contracts to any one of three Commercial Funds as follows:

Fund C CAT;
Fund R Revenue insurance plans; or
Fund B All other crop insurance plans.

- b. The Company must retain at least 50 percent of the net book premium and associated liability for ultimate net losses on eligible crop insurance contracts designated to each of the Commercial Funds in each State. Retention in the Commercial Funds in each State must be made in 5 percent increments. The three Commercial Funds' retention percentages may differ within a State. The net book premium and associated liability for ultimate net losses not retained by the Company within the Commercial Fund for each State will be ceded to FCIC.

6. Company Minimum Retention

- a. After all reinsurance cessions under paragraphs 3., 4. and 5., the Company must retain a percentage of net book premium that equals or exceeds 45 percent of its book of business.
- b. In the event that the Company fails to retain the required minimum percentage of net book premium under this Agreement, the Company retention of net book premium and associated liability for ultimate net losses for all eligible crop insurance contracts designated in the Assigned Risk Fund in all States will be increased on a pro-rata basis to make the Company's retention meet the requirement for minimum retention stated in subparagraph a.

7. Underwriting Loss

a. After cessions under paragraph 6., the amount of underwriting loss retained by the Company will be calculated separately for each Fund within each State as follows:

i. When the loss ratio exceeds 100 percent but is less than or equal to 160 percent of the Company's retained net book premium, the Company will retain the following percentage of the underwriting loss:

	(B)	(C)	(R)
I. Commercial Fund	50.0 percent	50.0 percent	57.0 percent
II. Developmental Fund	25.0 percent	25.0 percent	30.0 percent
III. Assigned Risk Fund	5.0 percent	- - -	- - -

ii. In addition to the amount determined under clause i., when the loss ratio exceeds 160 percent but is less than or equal to 220 percent of the Company's retained net book premium, the Company will retain the following percentage of the underwriting loss:

	(B)	(C)	(R)
I. Commercial Fund	40.0 percent	40.0 percent	43.0 percent
II. Developmental Fund	20.0 percent	20.0 percent	22.5 percent
III. Assigned Risk Fund	4.0 percent	- - -	- - -

iii. In addition to the amounts determined under clauses i. and ii., when the loss ratio exceeds 220 percent but is less than or equal to 500 percent of the Company's retained net book premium, the Company will retain the following percentage of the underwriting loss:

	(B)	(C)	(R)
I. Commercial Fund	17.0 percent	17.0 percent	17.0 percent
II. Developmental Fund	11.0 percent	11.0 percent	11.0 percent
III. Assigned Risk Fund	2.0 percent	- - -	- - -

iv. FCIC will assume 100 percent of the underwriting loss amount by which the Company's loss ratio exceeds 500 percent.

8. Underwriting Gain

a. After cessions under paragraph 6., the amount of underwriting gain retained by the Company will be calculated separately for each Fund within each State as follows:

- i. When the loss ratio equals or exceeds 65 percent but is less than 100 percent of the Company's retained net book premium, the Company will retain the following percentage of the underwriting gain:

	(B)	(C)	(R)
I. Commercial Fund	94.0 percent	75.0 percent	94.0 percent
II. Developmental Fund	60.0 percent	45.0 percent	60.0 percent
III. Assigned Risk Fund	15.0 percent	- - -	- - -

- ii. In addition to the amount determined under clause i., when the loss ratio equals or exceeds 50 percent but is less than 65 percent of the Company's retained net book premium, the Company will retain the following percentages of the underwriting gain:

	(B)	(C)	(R)
I. Commercial Fund	70.0 percent	50.0 percent	70.0 percent
II. Developmental Fund	50.0 percent	30.0 percent	50.0 percent
III. Assigned Risk Fund	9.0 percent	- - -	- - -

- iii. In addition to the amounts of underwriting gain determined under clauses i. and ii., when the loss ratio is less than 50 percent of the Company's retained net book premium, the Company will retain the following percentages of the underwriting gain:

	(B)	(C)	(R)
I. Commercial Fund	11.0 percent	8.0 percent	11.0 percent
II. Developmental Fund	6.0 percent	4.0 percent	6.0 percent
III. Assigned Risk Fund	2.0 percent	- - -	- - -

- 9. The underwriting gain or loss for each individual Fund within each State will be totaled to determine the net underwriting gain or loss for that State.
- 10. The Company's cumulative underwriting gain or loss will be determined by totaling the net underwriting gains or losses for all States.
- 11. Retained Net Book Quota Share
 - a. The Company shall cede to FCIC 5 percent of its cumulative underwriting gain or loss calculated in paragraph 10 and the associated premium and losses with such amount.
 - b. Any underwriting gain due the Company after the cession in subparagraph a. will be paid by FCIC to the Company at annual settlement. Any underwriting loss of the Company will be paid to FCIC on each monthly settlement report for which there is an underwriting loss.

12. Contingency Fund
 - a. The Contingency Fund, which is part of the insurance fund authorized under section 516(c) of the Act, is used to offset expenses incurred by FCIC to administer any Company's book of business in the event of Company supervision, rehabilitation, insolvency or operational deficiency, as determined by FCIC, or the Agreement is terminated for cause.
 - b. Any amounts owed to FCIC by the Company in accordance with sections II.B.14., IV.B.7., IV.H., and IV.J.4. will be made to the Contingency Fund.
13. The Company may reinsure commercially its liability for ultimate net losses remaining after all cessions under this Agreement. Unless otherwise specified by FCIC in writing, such reinsurance must meet the definition of, and the standards applicable to:
 - a. Reinsurance in the National Association of Insurance Commissioners (NAIC) Credit for Reinsurance Model law, or a successor law;
 - b. Standards for reinsurance under the NAIC Accounting Practices and Procedures Manual including any revisions or updates; and
 - c. Any other relevant standards developed by the NAIC for credit for reinsurance.
14. In addition to other remedies provided in this Agreement, FCIC may, at its sole discretion, offer additional reinsurance beyond what is otherwise provided in this Agreement as follows:
 - a. Whenever the Company reports an amount of net book premium greater than FCIC authorized as the maximum reinsurable net book premium, FCIC may, at its sole discretion, cause the net underwriting gain or loss for all States as defined in section II.B.10. payable to or by the Company to be reduced according to the ratio of the excess net book premium to the total reported net book premium. The excess will then be reinsured under this Agreement. The Company agrees to pay FCIC an additional reinsurance premium equal to 5 percent of the excess net book premium whenever this provision applies.
 - b. The reinsurance premium collected pursuant to this paragraph shall be deposited into the Contingency Fund.
15. With respect to funds currently contained in the reinsurance account, such amounts will be paid to the Company in accordance with section II.D.4.e.ii. of the 2004 Agreement.

SECTION III. SUBSIDIES, EXPENSES, FEES, AND PAYMENTS

A. Subsidies and Expenses

1. Risk subsidy shall be determined in accordance with the Act and will be provided on behalf of policyholders to the Company on the monthly settlement report.
2. A & O Subsidy

Notwithstanding the provisions of this section, under no circumstances will A&O subsidy be paid in excess of the amount authorized by statute.

- a. A&O subsidy for eligible crop insurance contracts will be determined as set forth below and will be paid to the Company on the monthly settlement report after the Company submits, and FCIC accepts, the information needed to accurately establish the premium for such eligible crop insurance contracts.
 - i. For any CAT eligible crop insurance contract, zero percent of net book premium;
 - ii. For additional coverage eligible crop insurance contracts that provide coverage under a Group Risk Plan, or similar type of insurance plan:
 - I. 22.4 percent of the net book premium attributed to such eligible crop insurance contracts with coverage levels at 75 percent or below;
 - II. 20.1 percent of the net book premium attributed to such eligible crop insurance contracts with coverage levels at 80 percent; and
 - III. 19.4 percent of the net book premium attributed to such eligible crop insurance contracts with coverage levels at 85 percent or higher.
 - iii. For additional coverage eligible crop insurance contracts that provide coverage under a revenue plan of insurance that can increase liability whenever the market price at the time of harvest exceeds the market price at the time of planting,
 - I. 20.8 percent of the net book premium attributed to such eligible crop insurance contracts; and
 - II. 18.7 percent of the net book premium attributed to such eligible crop insurance contracts with coverage levels at 80 percent; and

- III. 18.1 percent of the net book premium attributed to such eligible crop insurance contracts with coverage levels at 85 percent or higher.
- iv. For all other eligible crop insurance contracts:
 - I. 24.2 percent of the net book premium attributed to such eligible crop insurance contracts: and
 - II. 21.7 percent of the net book premium attributed to such eligible crop insurance contracts with coverage levels at 80 percent; and
 - III. 21.0 percent of the net book premium attributed to such eligible crop insurance contracts with coverage levels at 85 percent or higher.
- b. In addition to other provisions of this Agreement, the amount of A&O subsidy may be adjusted to a level that FCIC determines to be equitable if issuing or servicing eligible crop insurance contracts involve expenses that vary significantly from the basis used to determine the A&O subsidy under this section.
- c. The SSNs of all agents and loss adjusters, as applicable, who perform any service or related activity under an eligible crop insurance contract, must be provided to FCIC in accordance with procedures. If the applicable SSN is not provided for an eligible crop insurance contract, the Company will not receive any reinsurance, A&O subsidy or risk subsidy for that eligible crop insurance contract.
- d. A&O subsidy will be paid to the Company beginning with the October monthly settlement report. It will be paid in one installment based on the data obtained from accepted acreage reports, or such other similar reports (e.g., preliminary tonnage report for eligible raisin crop insurance contracts, or inventory value reports for nursery and clam crop insurance contracts, annual farm report for eligible AGR crop insurance contracts).

3. CAT Loss Adjustment Expense

FCIC will pay to the Company an amount equal to 7.0 percent of the net book premium for CAT eligible crop insurance contracts in accordance with procedures for loss adjustment expenses.

B. Administrative Fees

The Company shall remit to FCIC all administrative fees collected in accordance with the applicable eligible crop insurance contract and the following:

1. In the event the policyholder is a limited resource farmer as defined in the regulations, the Company shall submit the required information to FCIC and FCIC shall waive the applicable fees on the monthly settlement report.
2. If the Company terminates the policy due to the non-payment of administrative fees and reports such to FCIC in accordance with procedures, FCIC will perform debt collection activities for administrative fees that are due from such ineligible policyholder.

C. Payments

1. All payments due FCIC from the Company will be netted on the monthly and annual settlement reports with amounts due the Company from FCIC. FCIC will remit amounts due the Company by electronic funds transfer (EFT) on or before the FCIC payment date. Any amounts due FCIC or the Company that are not timely remitted are subject to the interest rate provisions contained in section IV.C., with such interest accruing from the date such payment was due to the date of payment.
2. In the event that FCIC erroneously rejects data that was correctly submitted by the Company and a payment would be due to the Company if the data had not been rejected, the Company shall be entitled to interest accrued on this amount for the period of such delay, at the rate provided in section IV.C.1.
3. Any funds paid by the Company to FCIC in the compromise and settlement of any dispute between FCIC and the Company in an amount less than FCIC claimed was due will be included on the monthly settlement report without regard to the provisions of sections II.B.
4. Notwithstanding any other provision of this Agreement, if a review or examination reveals that the Company or its affiliates have committed an error or omission or failed to comply with a term of this Agreement or procedures, FCIC must provide written notice to the Company within 3 years of the end of the insurance period when the error, omission or failure occurred, if the Company may owe a debt to FCIC, unless the error, omission or failure was willful or intentional. The failure to provide timely notice required herein shall only relieve the Company from liability for the alleged debt owed and not for other consequences of the error, omission or failure. Written notice to the Company under this paragraph must:
 - a. State that the Company or its affiliate failed to comply with a term of the Agreement or procedures;
 - b. State that such failure may result in an amount being owed to FCIC;

- c. Include the crop year and eligible crop insurance contract number(s) for which such failure occurred; and
 - d. Provide sufficient detail to put the Company on general notice of the type of error, omission or failure alleged (such as failure to properly calculate the approved yield or failure to conduct a pre-acceptance inspection, etc.).
5. The Company must provide written notice, in a form similar to the notice in paragraph 4., to FCIC of any claim that funds may be owed from FCIC to the Company within 3 years after annual settlement of the reinsurance year in which such funds are claimed to be owed. Failure to provide such notice shall relieve FCIC of the obligation to repay any amount that would be owed to the Company. If an investigation by FCIC determines that funds may be owed by FCIC to the Company, written notice does not need to be provided.

SECTION IV. GENERAL PROVISIONS

A. Collection of Information and Data

1. The Company is required to collect and provide to FCIC all SSNs or EINs that are required to be submitted by the policyholder under the eligible crop insurance contract.
2. Neither the Company, nor its personnel, or contractors, or affiliates may disclose to the public any information provided by the policyholder unless such disclosure is authorized by Federal law.

B. Reports

1. The Company is required to collect, maintain and submit to FCIC data that FCIC reasonably determines is necessary to the operation of the Federal crop insurance program. Data the Company is required to submit to FCIC must be accurate, detailed and submitted to FCIC in accordance with procedures.
2. The Company may only submit data through automated systems for 3 years following the first annual settlement for the reinsurance year. Any other data must be submitted in accordance with Appendix III. Settlement of claims still in litigation, arbitration, or any administrative proceeding more than 3 years after the first annual settlement for such reinsurance year must be reported to FCIC and will be processed manually following the resolution of such action.
3. All reports submitted for reimbursement of any funds payable by FCIC under this Agreement must be certified by an authorized officer or authorized employee of the Company that the information in the report is correct and accurate.

4. Producer premiums and administrative fees collected by the Company must be reported to FCIC in accordance with Appendix III.
5. The Company will report to FCIC information relating to an eligible crop insurance contract of the Company reinsured under this Agreement that may be requested by FCIC.
6. In addition to any other reporting, the Company must report the following information regarding each eligible crop insurance contract and have such information be accepted by FCIC not later than the transaction cutoff date for the week including the 30th calendar day after the sales closing date for the eligible crop insurance contract (For the initial year of a written agreement only, not later than the transaction cutoff date for the week containing the 30th calendar day after FCIC approval; for any continuous written agreement, the transaction cutoff date for the week including the sales closing date for the eligible crop insurance contract; and for any agricultural commodity without a fixed sales closing date, the sales closing date for the initial year of application and the transaction cutoff date for the week including 30 days after the end of the insurance period for subsequent years):
 - a. The name and all SSNs or EINs the policyholder is required to report under the eligible crop insurance contract;
 - b. The agricultural commodity to be insured under the eligible crop insurance contract; and
 - c. The plan of insurance and coverage level, including the price election, elected by the eligible producer.
7. The A&O subsidy applicable to the eligible crop insurance contract under section III.A.2. will be reduced whenever the information required by paragraph 6. has not been timely and accurately provided to FCIC or such information is revised after the transaction cut-off date for the week containing the 30th day after the sales closing date.
 - a. The A&O subsidy will be reduced by:
 - i. 1 percentage points if the required information is first accepted or revised after the transaction cut-off date for the week containing the 30th calendar day after the sales closing date, but prior to the transaction cut-off date for the week containing the 60th calendar day; or
 - ii. The A&O subsidy will be reduced by 3 percentage points if the required information is first accepted or revised after the transaction cut-off date for the week containing the 60th calendar day after the sales closing date,

but prior to the transaction cut-off date for the week containing the 90th calendar day; or

- iii. The A&O subsidy will be reduced by 6 percentage points if the required information is first accepted or revised after the transaction cut-off date for the week containing the 90th calendar day after the sales closing date.
 - b. The sanctions under this paragraph may be reduced or waived if the delay is caused in whole or in part by FCIC.
 - c. Any amount collected under this paragraph will be placed in the Contingency Fund.
8. Unless otherwise permitted by FCIC in Appendix III, the Company may not submit estimated data for the purpose of establishing premium, liability, or indemnity.
 9. The Summary of Coverage and billing statement provided to the policyholder shall prominently display each of the following:
 - a. The total premium calculated by adding subparagraphs b. and c. below;
 - b. The risk subsidy and A&O subsidy paid by FCIC to the Company on behalf of the policyholder; and
 - c. The amount of premium and any administrative fees due the Company from the policyholder.
 10. The Company must immediately report to FCIC any material change in its, or its service providers', financial or operational condition that may affect the Company's ability to perform its obligations under this Agreement.

C. Interest

1. Any interest that FCIC is required to pay the Company under the terms of this Agreement will be paid in accordance with the interest provisions of the Contract Disputes Act (41 U.S.C. 601 *et seq.*).
2. Any interest that the Company is required to pay FCIC under the terms of this Agreement will be paid at the simple interest rate of 15 percent per annum.
3. The Company will repay with interest any amount paid to the Company by FCIC that FCIC or the Company subsequently determines was not due.
4. FCIC will repay with interest any amount paid by the Company to FCIC, which FCIC subsequently determines was not due.

5. Interest on amounts determined not to be due will begin to accrue on the 31st day after the date that:
 - a. In the case of amounts owed to the Company, a written notification stating the amount claimed to be owed is provided to FCIC by the Company, as applicable, and end on the date the amount is paid in full; or
 - b. In the case of amounts owed to FCIC, the Company receives a final determination from FCIC or other written statement from FCIC that a specific amount is owed, as applicable, and end on the date the overpaid amount is paid in full. Appeal by the Company under this Agreement or 7 C.F.R. 400.169 does not delay the date by which interest starts to accrue.

D. Escrow Account

1. At the Company's request, FCIC will allow the Company to establish an escrow account in the name of FCIC at a bank designated by the Company, and approved by FCIC, to reimburse the Company for payment of indemnities, prevented planting payments or replant payments to policyholders by the Company. The Company's bank must pledge collateral as required by 31 C.F.R. 202 in the amount determined by FCIC.
2. When an escrow account has been established, the Company may request FCIC to fund the escrow account after the Company has drafted the check to pay the indemnity, prevented planting payment or replant payment to a policyholder. A request to fund the escrow account shall contain the name and SSN or EIN, as applicable, of the policyholder, the check number and date payment was made, and the amount of each indemnity, prevented planting payment or replant payment. A request submitted to FCIC shall be deemed certified by an authorized officer or authorized employee of the Company that the information is correct and accurate.
3. Any Company that elects not to utilize escrow funding will be reimbursed for paid losses validated and accepted on the monthly settlement report.
4. The Company's bank may draw funds from the escrow account when the instrument or document issued as payment of the indemnity, prevented planting payment or replant payment has cleared the Company's bank account.

E. Supplemental Insurance

1. The Company shall not sell supplemental insurance unless it has complied with the requirements of 7 C.F.R. 400.713.

2. FCIC will not provide reinsurance, A&O subsidy or risk subsidy for an eligible crop insurance contract if the Company sold supplemental insurance that FCIC determines to have shifted risk to, or increases the risk of, such eligible crop insurance contract reinsured under this Agreement, or if the Company administers the supplemental insurance in a manner inconsistent with its submission and FCIC's approval.
3. The Company must maintain, and make available at the request of FCIC, the underwriting information pertaining to supplemental insurance, including the policy number and all SSNs and EINs related to the eligible crop insurance contract.
4. If the terms of supplemental insurance become inconsistent with the terms of the eligible crop insurance contract causing payments to be made under the eligible crop insurance contract that would not otherwise be payable, reinsurance, A&O subsidy and risk subsidy may be denied.

F. Insurance Operations

1. General
 - a. The Company must verify all yields and other information used to establish insurance guarantees and indemnity payments in accordance with the regulations and procedures.
 - b. The Company must use eligible crop insurance contracts, standards, procedures, methods, and instructions as issued by FCIC in the sale and service of eligible crop insurance contracts.
 - c. The Company must comply with procedures to create forms used in the sales and service of any eligible crop insurance contract.
2. Plan of Operations
 - a. The complete Plan of Operations must be submitted to FCIC by April 1 preceding the reinsurance year, unless otherwise authorized by FCIC. The Plan of Operations must meet the requirements of this Agreement, including the format and all requirements specified in Appendix II, to be considered a complete Plan of Operations.
 - b. Once approved by FCIC, the Company's Plan of Operations becomes an Appendix to the Agreement.
 - c. If the Plan of Operations is not approved by FCIC by the July 1 start of the reinsurance year:

- i. FCIC may, at its sole discretion, agree to continue to reinsure and pay A&O and risk subsidies for eligible crop insurance contracts that are renewed or sold by or on behalf of the Company while FCIC continues its evaluation of the Plan of Operations.
 - ii. FCIC will provide the Company with written notice of its decision to continue to reinsure and pay A&O and risk subsidies for eligible crop insurance contracts that are renewed or sold by or on behalf of the Company while FCIC continues its evaluation of the Plan of Operations or its decision that the Company and any affiliates must cease the renewal or sale of eligible crop insurance contracts until FCIC determines whether to approve or disapprove the Plan of Operations.
 - iii. Any policy sold or renewed after FCIC has provided written notice that the Company and its affiliates must cease the renewal or sale of eligible crop insurance contracts until FCIC determines whether to approve or disapprove the Plan of Operations will not be reinsured or receive A&O and risk subsidies.
 - iv. If FCIC authorizes the continued renewal or sale of eligible crop insurance contracts by or on behalf of the Company while FCIC completes its evaluation of the Plan of Operations and approves the Plan of Operations, the renewed and sold eligible crop insurance contracts will be reinsured under the newly approved Plan of Operations.
 - v. If FCIC authorizes the continued renewal or sale of eligible crop insurance contracts by or on behalf of the Company while FCIC completes its evaluation of the Plan of Operations and disapproves the Plan of Operations, the crop insurance contracts renewed or sold during the evaluation period will be reinsured under the Plan of Operations in effect for the previous reinsurance year.
- d. The Company must provide immediate written notice to FCIC if a change in business organization, operations, finances or the sales expectations of the Company, or its service providers, that would have a material impact on the Company's ability to perform under the Agreement is likely to occur.
 - e. If a change in business organization, operations, finances or the sales expectations of the Company or its service providers occur that would have a material impact on the Company's performance under the Agreement:
 - i. FCIC may require the Company to amend its Plan of Operations; or

- ii. The Company may submit to FCIC in writing a request to amend the Plan of Operations.
 - I. The request must be approved by FCIC in writing before the amended Plan of Operations can become a part of this Agreement and implemented by the Company or its affiliates.
 - II. The request will be evaluated in accordance with the review procedures applicable to a timely filed original Plan of Operations, except that FCIC will also consider whether FCIC's risk is materially increased.
 - III. FCIC will not approve a request to amend the Plan of Operations if such amendment would materially increase the risk of loss to FCIC unless FCIC, at its sole discretion, determines that the amendment arises from an action of FCIC or USDA that substantially increases the risk of underwriting loss on eligible crop insurance contracts written by the Company.
 - IV. Changes to eligible crop insurance contracts made in accordance with the terms of such contract are not a basis for an amendment to the Plan of Operations.
 - f. The Company shall be in compliance with the Freedom to E-File Act and section 508 of the Rehabilitation Act. The Company must file its plan for meeting the requirement of these statutory provisions, in accordance with procedures, with the Plan of Operations.
 - g. The Company shall disclose in the Plan of Operations all of its commercial reinsurance related to this Agreement and provide documentation regarding such reinsurance as required by FCIC.
 - h. The Company shall list in the Plan of Operations all PIC's.
3. Compliance with State Insurance Laws
- a. Unless preempted in accordance with section IV.P., the Company and its affiliates shall comply with applicable State law.
 - b. If a State Insurance Department determines that the Company or any of its affiliates are in non-compliance with an applicable State law and FCIC determines that the non-compliance materially affects the Company's ability to meet its obligations under this Agreement, such non-compliance shall be considered a breach of this Agreement, unless remedial action by the Company or affiliate to correct the non-compliance is approved by FCIC.

- c. Upon the request of FCIC, the Company shall submit to FCIC any or all information or documentation the Company is required to submit to the State Insurance Department under an applicable State law.
- d. If a State Insurance Department notifies the Company or its affiliates that it is taking, or proposes to take, an action against the Company or its affiliates or directs the Company to take an action, the Company must immediately notify FCIC of such action and any remedial action proposed to be taken by the Company or directed by the State Insurance Department that directly or indirectly affects the Company's ability to perform its obligations under this Agreement, and such action must be approved by FCIC.

4. Conflict of Interest

- a. The Company and its service providers shall not permit their sales agents, agency employees, sales supervisors, or any relative or non-relative household member of its sales agent, agency employee or sales supervisor, to be involved in loss adjustment activities in a county, adjoining county, or any county contiguous to an adjoining county where the sales agent, agency employee or sales supervisor performs sales functions (except receipt and transfer to the Company of a notice of loss), including the following:
 - i. The supervision, control, or adjustment of a claim or loss;
 - ii. Obtaining sales or production records for the purposes of loss adjustment on behalf of or from the policyholder;
 - iii. A loss adjustment determination or verification required to complete a claim or the determination or verification of a cause of loss;
 - iv. Verification of yields for the purpose of validating insurance coverage or the guarantee;
 - v. Advising policyholders on the meaning, applicability or effect of loss adjustment procedures, including, but not limited to, whether the loss adjuster correctly applied loss adjustment procedures; or
 - vi. Any other function reserved for loss adjusters in the procedures.
- b. The Company and its service providers shall not permit their claims supervisors, employees or contractors, or any relative or non- relative household member of the claims supervisor, employee or contractor, involved in the loss adjustment determination or verification required to complete a claim or the determination or verification of a cause of loss, to be involved with the sales, solicitation or brokering of an eligible crop insurance contract or with any other function reserved for the agent in the

procedures approved by FCIC in a county, adjoining county, or any county contiguous to an adjoining county where the claims supervisor, employee or contract performs claims functions.

- c. The Company shall review claims where the same loss adjuster has worked claims for more than 2 consecutive years for the same policyholder, or person with a substantial beneficial interest on a previous year's claim, irrespective of the previous loss year's agent, agency or AIP, except as authorized by FCIC. The Company shall not permit the same loss adjuster to work claims for more than 3 consecutive years for the same policyholder, or person with a substantial beneficial interest on a previous year's claim, irrespective of the previous loss year's agent, agency or AIP, except as authorized by FCIC.
- d. The Company and its service providers shall not permit their claims supervisors, employees, or contractors involved in the loss adjustment determination or verification required to complete a claim or the determination or verification of a cause of loss to adjust a loss for:
 - i. A person with whom they have a formal or informal business, financial or legal relationship (Business, financial and legal interests include but are not limited to lending money, custom farming, leasing land or other property, selling other goods or services besides insurance, or activities of a similar nature. The sale and purchase of crop insurance does not constitute a business, financial or legal relationship with the policyholder that must be reported);
 - ii. A policyholder, or a person with a substantial beneficial interest in the policyholder, whose eligible crop insurance contract was sold by a relative of the claims supervisor, employee, or contractor; or
 - iii. A relative or non-relative household member of the claims supervisor, employee or contractor.
- e. The Company and its service providers shall not permit their sales agents, the owners or employees of its sales agencies, its sales supervisors, or any relative or non-relative household member to be involved in the acceptance and verification of underwriting data relating to eligibility and coverage for an eligible crop insurance contract written by such person.
- f. A person employed by the Company or its service provider for the general supervision of the sales and service of eligible crop insurance contracts may supervise activities, not including the day-to-day activities, associated with the general administration of such contracts, which may include the supervision of training, servicing, underwriting, and loss adjusting.

- g. Consistent with subparagraphs a. through f., all quality control reviews must be conducted by objective and unbiased persons who were not involved in establishing the guarantee or adjusting the loss, the sales or supervision of sales or the supervision of loss adjustment activities for the eligible crop insurance contracts reviewed.
- h. The Company must notify all of its affiliates, employees and contractors, including agents, agencies, and loss adjusters, in writing of the duty to disclose to the Company and FCIC any formal or informal business, financial, legal or familial relationship with a policyholder, or a person with a substantial interest in the policyholder, in accordance with Appendix IV. Eligible crop insurance contracts sold or serviced by the person who failed to disclose formal or informal business, financial, legal or familial relationship with a policyholder will not be reinsured or receive A&O or risk subsidies for the reinsurance year for which such disclosure was not provided.
- i. The Company shall immediately notify FCIC when it discovers that a Company employee or contractor of the Company or its affiliates have violated the requirements of this paragraph.

G. Access to Records and Operations

1. Upon written request, unless otherwise authorized by the FCIC Manager, the Company must provide FCIC access to its offices, personnel, and all records that pertain to the business conducted under, or the requirements contained in, this Agreement at any time during normal business hours for the purpose of investigation, audit or examination, including access to records on the operation of the Company.
2. The Company shall ensure that its affiliates provide FCIC and the Company with the same access to records, offices, and personnel as FCIC has with respect to the Company. The Company shall ensure that its agreements with affiliates include provisions necessary to implement this paragraph.
3. The Company must designate in its Plan of Operations where the records pertaining to the business conducted under this Agreement are located.
4. Records described in this subsection must be retained until 3 years after the annual settlement date for the applicable reinsurance year or until 3 years after the end of the insurance period of the specific eligible crop insurance contract, whichever is later.
5. FCIC may require the Company and its affiliates to retain certain specified records for a longer period than in paragraph 4. if it so notifies the Company in writing at any time before the expiration of the applicable 3-year period. If the

applicable 3-year period has expired and the Company or its affiliate still has the records in their possession, FCIC can require that such records be retained for a longer period by providing written notice.

6. Notwithstanding paragraph 4., records regarding an unsatisfied debt of a policyholder must be retained for 10 years after establishment of the debt unless the debt is satisfied or is discharged through bankruptcy proceedings.
7. For the purpose of this subsection the term "FCIC" includes all U.S. Government agencies including but not limited to USDA Office of Inspector General, the General Accounting Office, and the Department of Labor.

H. Compliance and Corrective Action

1. The Company and its affiliates must comply with the provisions of this Agreement, as applicable. The Company is solely responsible for the conduct and performance of its personnel and affiliates with respect to the obligations imposed by this Agreement and the procedures. Liability or damages incurred, to the extent it is caused by an error or omission or failure to comply with this Agreement or the procedures, is the sole responsibility of the Company. The assumption of responsibility under this section is only for the purpose of this Agreement and may not be relied upon by any person or entity not a part to this Agreement for any purpose.
2. In addition to paragraph 1., the Company and its affiliates must comply with the procedures, and the applicable laws of the States in which the Company is conducting business under this Agreement, unless preempted in accordance with section IV.P.
3. The Company must fully cooperate with FCIC in the review or examination of the Company or its affiliates regarding compliance with the requirements of the Agreement and procedures. The Company will include in its agreements with its affiliates provisions that ensure that such affiliates agree to cooperate and assist FCIC in the reviews and examinations conducted in accordance with this Agreement.
4. In addition to any other remedies available under this Agreement, if FCIC finds that the Company has not complied with a provision of this Agreement, and the Company has not taken appropriate steps to correct the reported act of non-compliance, FCIC may, at its sole discretion, require that the Company take corrective action within 45 days of the date of such written demand. The Company must provide FCIC with satisfactory documentary evidence of the corrective action taken to address the reported act of non-compliance.
5. If the State makes a final determination that the Company or its affiliates are not in compliance with state law and such non-compliance is material to its

obligations under this Agreement, and all appeals have been exhausted, FCIC may take remedial actions, which may include suspension or termination of this Agreement in accordance with subsections I. and J., denial of reinsurance, and denial of A&O and risk subsidies or a reduction of the A&O subsidy in accordance with paragraph 8., depending on the materiality or severity of the non-compliance.

6. FCIC reserves the right not to provide reinsurance, A&O subsidy, or risk subsidy for any eligible crop insurance contract that is sold or serviced in violation of the terms of this Agreement or procedures.
7. Whenever a failure to substantially comply with a provision of this Agreement or procedures by the Company or its affiliates materially affects the existence or amount of the indemnity, prevented planting payment or replant payment or premium for an eligible crop insurance contract (including but not limited to incorrect APH calculations; improper adjustment of losses; sales agents or sales supervisors involved in the adjustment of losses; failure to verify eligibility for insurance, acreage planted or prevented from planting, insurable shares, insurable causes of loss or unit division) and FCIC is:
 - a. Able to determine the correct amount of indemnity, prevented planting payment or replant payment or premium, FCIC, except as provided in paragraph 8.d, may deny A&O subsidy and risk subsidy or reduce the A&O subsidy for the eligible crop insurance contract based on the severity of the failure, and require the Company:
 - i. To report to FCIC through DAS the correct amount of indemnity, prevented planting payment, replant payment and premium; and
 - ii. To pay to the policyholder any amount of underpaid indemnity, prevented planting payment, replant payment or overpaid premium; or
 - iii. To pay to FCIC any overpaid indemnity, prevented planting payment, replant payment or underpaid premium and any subsidy that exceeds the amount the Company or policyholder was entitled to receive.
 - b. Unable to determine the correct amount of indemnity, prevented planting payment, replant payment or premium that should have been paid, FCIC will deny reinsurance and deny A&O subsidy and risk subsidy or reduce the A&O subsidy unless the Company can provide documentary evidence satisfactory to FCIC that shows the correct amount of the indemnity, prevented planting payment, replant payment or premium.
8. The Company provides valuable program delivery services for which payment is made in the form of A&O subsidy. FCIC and the Company agree that FCIC is damaged by a failure of the Company or its affiliates to provide services or to

- comply with a provision of this Agreement or procedures, and that the value of such service or failure to comply is difficult to determine because the damages are uncertain and the amount of service or failure to comply is difficult to quantify. FCIC and the Company agree that in view of the difficulty of determining the value of such service, the amounts stated below are reasonable estimates of the value. In the event there is a pattern or practice of failing to comply with the Agreement or procedures and FCIC has determined the Company or its affiliate has failed to provide services or to comply with a provision of this Agreement or procedures and such failure has occurred:
- a. During the claims process (such as loss adjustment, quality control reviews, verification of applicable information, etc.), the Company agrees to pay FCIC an amount up to 5 percent of the net book premium on all crop insurance contracts affected by the failure based on the materiality or severity of the failure;
 - b. During the sales and service of the crop insurance contract, excluding the claims process contained in subparagraph a., the Company agrees to pay FCIC an amount up to 15 percent of the net book premium on all crop insurance contracts affected by the failure based on the materiality or severity of the failure; and
 - c. FCIC may impose the remedies in both subparagraphs a. and b., if applicable (However, both remedies may not be imposed for the same conduct by the same person).
 - d. If the pattern or practice under this paragraph also involves overpaid indemnities that may be collected under paragraph 7.a., any reduction in A&O subsidies will be imposed under this paragraph, not paragraph 7.a.
9. Failure of the Company or its affiliates to cease or desist any activity or to take a specific action, as required by FCIC in writing, will subject the Company or its affiliates to the sanctions in section 515(h) of the Act.
 10. Any payment due from, or paid by, the Company under this subsection shall be in addition, and without prejudice, to any other rights of FCIC, or the United States. FCIC may, at its sole discretion, waive, reduce or delay repayment.
 11. Failure of the Company to make payment in accordance with the provisions of this Agreement, or with provisions of any separate written agreement to make such payment between the Company and FCIC, may subject the Company to the remedies available under this Agreement.
 12. Nothing in this subsection prevents FCIC from suspending or terminating this Agreement in accordance with subsections I. or J.

13. Any A&O subsidies collected under this subsection will be placed in the Contingency Fund.

I. Suspension

In addition to the other remedies available in this Agreement, FCIC may suspend this Agreement for cause due to a material breach or failure to perform or comply with obligations under this Agreement. If this Agreement is suspended for cause:

1. Except as provided in paragraph 3., the suspension will remain in effect until FCIC determines that the Company or its affiliate has corrected the error or omission and has taken steps to prevent its occurrence.
2. While suspended, the Company and its affiliates shall not sell any new crop insurance contracts or may not renew existing eligible crop insurance contracts, as determined by FCIC, under this Agreement. However, if required by FCIC, the Company and its affiliates must continue to service all eligible crop insurance contracts in effect at the time of the suspension. A&O subsidy will continue to be paid for those eligible crop insurance contracts that FCIC requires the Company and its affiliates to service.
3. If the Company or its affiliates do not properly service existing eligible crop insurance contracts as required by paragraph 2., or has not corrected the error or omission within the timeframe specified by FCIC, the Company will remain suspended and this Agreement will automatically terminate at the end of the reinsurance year, or an earlier date if notice of termination is provided by FCIC.
4. Notwithstanding any other provision of this Agreement, during the period of suspension, the Company may submit a request to FCIC for approval by FCIC to not renew some or all of the existing eligible crop insurance contracts. Each request must contain supporting documentation stating the basis for the request and the proposed implementation of the request.
5. Any eligible crop insurance contract that is sold by the Company or its affiliates, or renewed if precluded by FCIC, while this Agreement is suspended will not receive reinsurance, A&O subsidy or risk subsidy for such eligible crop insurance contracts.
6. Any eligible crop insurance contract not renewed in accordance with this subsection must be canceled in accordance with the terms of the eligible crop insurance contract not later than 15 days before the next applicable cancellation date.

J. Termination

1. Notwithstanding any other provision of this Agreement, FCIC may terminate this Agreement for cause due to a material failure to perform or comply with this Agreement or the procedures, or for the convenience of the government.
2. Termination will be effective on the date specified by FCIC but under no circumstances will it be after the last day of the reinsurance year.
3. If this Agreement is terminated, FCIC will not provide reinsurance or A&O and risk subsidies for eligible crop insurance contracts issued or renewed after the date of the termination. Except as otherwise provided in this Agreement, FCIC will provide reinsurance and A&O and risk subsidies in accordance with the terms of the Agreement, for eligible crop insurance contracts in effect as of the date of the termination until the next cancellation date for the eligible crop insurance contract.
4. In addition to any other reductions provided in the Agreement, if this Agreement is terminated by FCIC for cause, the Company shall pay FCIC an amount not greater than 10 percent of the net book premium for all eligible crop insurance contracts in its book of business based on the materiality or severity of the cause. Any amount collected under this paragraph will be placed in the Contingency Fund.
5. After termination of this Agreement, unless otherwise specified in this Agreement, the Company and its affiliates must cancel all eligible crop insurance contracts in the Company's book of business in accordance with the terms of such contract not later than 15 days before the next applicable cancellation date.

K. Disputes and Appeals

1. If the Company disputes an action, finding, or decision of FCIC under this Agreement, the Company must seek a final administrative decision regarding such action, finding, or decision in accordance with the provisions of 7 C.F.R. 400.169 before seeking judicial review.
2. If the Company seeks a final administrative decision or reconsideration in accordance with 7 C.F.R. 400.169, FCIC shall generally issue a fully documented decision within 90 days of the receipt of a notice of dispute accompanied by all information necessary to render a decision. If a decision cannot be issued within 90 days, FCIC will notify the Company within the 90-day period of the reasons why such a decision cannot be issued and when it will be issued.

L. Renewal and Mandatory Amendments

1. This Agreement will renew for subsequent reinsurance years under the same terms and conditions, unless otherwise amended, by July 1 of each succeeding year unless FCIC gives at least 180 days advance notice in writing to the Company that the Agreement will not be renewed.
2. If changes in Federal law are enacted that affect the rights and obligations of the parties to this Agreement, the Company agrees that the changes will be implemented and this Agreement will be revised to incorporate the changes on or before June 30 of this reinsurance year and they will be effective for the next reinsurance year.

M. Appropriation Contingency

The payment of obligations of FCIC under this Agreement is contingent upon the availability of appropriations. Notwithstanding any other provision of this Agreement, FCIC's ability to sustain the Agreement depends upon the FCIC's appropriation. If FCIC's appropriation is insufficient to pay the obligations under this Agreement, and FCIC has no other source of funds for such payments, FCIC will reduce its payments to the Company on a *pro rata* basis or on such other method as determined by FCIC to be fair and equitable.

N. Replacement

This Agreement replaces any previous Standard Reinsurance Agreement between FCIC and the Company, except that any obligations continuing under any previous Agreement will remain subject to the terms and conditions of such previous Agreement.

O. Oversight and Cut-Through

1. Whenever FCIC determines that the Company and any affiliate, if applicable, are unable to substantially fulfill their obligations that materially affect their performance under this Agreement with respect to some or all of the eligible crop insurance contracts it has in its book of business, FCIC may impose one or more of the following on the Company:
 - a. Require additional reporting to FCIC of financial or operational information of the Company and its affiliates.
 - b. Allow the placement of representatives of FCIC at any location of the Company and its service providers to monitor activities that directly or indirectly affect the performance of the Company's obligations under this Agreement.

- c. Obtain approval of FCIC of some or all decisions or actions (including but not limited to any transaction, payment, agreement, and servicing of eligible crop insurance contracts) taken or contemplated by the Company or its service providers that could directly or indirectly affect the performance of the Company's obligations under this Agreement.
- d. Take all reasonable steps to preserve the assets and financial and operating capabilities of the Company to perform its obligations under this Agreement.
- e. Transfer to FCIC, or its designee, without further action of the Company any or all eligible crop insurance contracts. With respect to any eligible crop insurance contract transferred to FCIC:
 - i. FCIC will assume all obligations for unpaid losses whether occurring before or after the date of transfer regarding such eligible crop insurance contracts, and the Company must pay FCIC all funds in possession of the Company and its affiliates with respect to all such eligible crop insurance contracts transferred including, but not limited to, premiums collected or reinsurance payments.
 - ii. FCIC, or its designee, will have the right to conduct all activities related to the sale and service of eligible crop insurance contracts.
 - iii. FCIC has the right to all uncollected premiums on all eligible crop insurance contracts.
 - iv. Any uncollected debts owed to the Company under an eligible crop insurance contract will become a debt owed to FCIC.
 - v. To the extent that FCIC contracts for an AIP or other entity to service the transferred eligible crop insurance contracts, the AIP or other entity will receive A&O subsidy for service the AIP or other entity must perform for such eligible crop insurance contracts in proportion to the amount of service required for the remainder of the crop year.
- f. With respect to eligible crop insurance contracts that are transferred to FCIC and another AIP agrees to assume the eligible crop insurance contracts:
 - i. The AIP will assume the obligations for unpaid losses whether occurring before or after the date of transfer regarding such eligible crop insurance contracts;
 - ii. FCIC will remit to the AIP any premium or commercial reinsurance collected from the Company; and

- iii. The AIP will receive A&O subsidy for service the AIP must perform for such eligible crop insurance contracts in proportion to the amount of service required for the remainder of the crop year.
2. A Company in supervision, rehabilitation or liquidation by the State, is presumed to be unable to substantially fulfill their obligations that materially affect their performance under this Agreement with respect to some or all of the eligible crop insurance contracts it has in its book of business for the purposes of paragraph 1.
3. If either paragraphs 1.e. or 1.f. is implemented with respect to another AIP, the Company, within the limits of its financial and operational resources, agrees to cooperate with FCIC in the transferring and servicing of such eligible crop insurance contracts.

P. Preemption of State Law

1. In accordance with section 506(1) of the Act, the provisions of this Agreement that are inconsistent with provisions of State or local law will supersede such law to the extent of the inconsistency.
2. The provisions of 7 C.F.R. part 400, subpart P pertaining to preemption of State or local laws or regulations are specifically incorporated herein and made a part hereof.
3. No assessment for any guarantee funds or similar programs may be computed or levied on the Company by any State for or on account of any premiums payable on eligible crop insurance contracts reinsured under this Agreement.

Q. Supervision, Rehabilitation, and Liquidation

If the Company is in supervision, rehabilitation or liquidation by the State Insurance Department:

1. The Company shall take all reasonable steps to facilitate a working relationship between FCIC and the State Insurance Department during the period the Company is in supervision, rehabilitation, or liquidation.
2. The Company shall take all reasonable steps to ensure that FCIC has access to information and use of the operating systems, records, equipment, or other property used in the administration of the Company's book of business for as long as necessary to service the book of business.
3. In liquidation:
 - a. If FCIC has expended funds to keep the Company operational, including the payment of expenses already included in the A&O subsidy, or to pay other

expenses not included in the A&O subsidy, when the Company was in supervision, rehabilitation or liquidation, with respect to the repayment of such funds, FCIC shall have priority over all other creditors except for expenses of the state supervisor, rehabilitator, or liquidator; and

- b. If the Company owes any other funds to FCIC not included in subparagraph a., with respect to the repayment of such funds, FCIC shall have priority over all other non-federal creditors.
4. FCIC will have the right to conduct all activities related to the sale and service of eligible crop insurance contracts.
5. The Company and its affiliates must pay to FCIC all funds in their possession with respect to all eligible crop insurance contracts including, but not limited to, premiums collected or reinsurance payments.
6. FCIC has the right to all uncollected premiums on all eligible crop insurance contracts.
7. Any uncollected debts owed to the Company under an eligible crop insurance contract will become a debt owed to FCIC.
8. The Company and its affiliates shall:
 - a. Properly and fully service all eligible crop insurance contracts until transferred to another AIP or the applicable cancellation date, whichever is the later;
 - b. Take all reasonable efforts to ensure that the Company's commercial reinsurance applicable to its book of business remains in effect; and
 - c. Not delay any payment to FCIC or the policyholder related to an eligible crop insurance contract.
9. Those persons found not in compliance with paragraph 8.c. shall be subject to debarment from participating in the programs of FCIC and USDA.

R. Mediation, Arbitration, Litigation and Assistance

1. The Company's expenses incurred as a result of litigation are covered by the A&O subsidy. FCIC has no obligation to provide other funds to reimburse the Company for litigation costs.
2. FCIC will provide indemnification, as authorized by the Act, including costs and reasonable attorney fees incurred by the Company that result solely from errors or omissions of FCIC.

3. In accordance with procedures, the Company may request FCIC to provide non-monetary assistance, including witnesses, documents, and direction or such other assistance for mediation, arbitration or litigation. FCIC will only consider the Company's request for assistance if the Company:
 - a. Reports the matter in accordance with paragraph 4;
 - b. Immediately notifies FCIC in writing of the requested action setting forth the reasons such action would be in the best interests of FCIC;
 - c. Presents all legal arguments favorable to its defense including those suggested by FCIC; and
 - d. Does not join FCIC as a party to the action unless FCIC agrees in writing to be joined as a party.
4. The Company shall report to FCIC in accordance with established procedures, disputes with policyholders in mediation, arbitration, litigation or legal action, within 30 days after the Company has been notified of such dispute.
5. FCIC will, at its sole discretion, determine if the requested action under this section will be granted. The criteria to determine such action will be whether such action is in the best interest of FCIC and the Federal crop insurance program.
6. FCIC will pay ultimate net losses for eligible crop insurance contracts of the Company in accordance with the provisions of section II.B.
 - a. In addition to the amount of the claim, ultimate net loss may include interest owed to policyholders related to the eligible crop insurance contract that is included:
 - i. In a final judgment against the Company by an arbitrator or a court of competent jurisdiction if FCIC determines that:
 - I. Such interest resulted from the Company's substantial compliance with all applicable procedures in the selling and servicing of the eligible crop insurance contract; and
 - II. The award of such interest did not involve negligence or culpability on the part of the Company or its affiliates; and
 - ii. In the settlement of any claim if FCIC, in addition to the determinations included above, determines that the settlement should be approved.

- b. In all arbitration and mediation cases or any other case that has been resolved by the Company and policyholder:
 - i. The Company must provide to FCIC all written statements from the arbitrator describing the issues in dispute, the factual findings, the determinations and the amount and basis for any award;
 - ii. The Company must provide to FCIC all settlement agreements that contain at a minimum, a statement of the issues in dispute and the amount of the settlement;
 - iii. The Company must provide to FCIC all written opinions of the court and all pleadings filed in the case; and
 - iv. Failure of the Company to provide the required information in this subparagraph for an eligible crop insurance contract will result in denial of reinsurance, A&O subsidy and risk subsidy for such contract.
- 7. Under no circumstance are any punitive or consequential damages, attorney fees or any other costs, including court costs, included in the calculation of ultimate net loss.

S. Sanctioned persons

The Company and its affiliates shall not use any person who has been debarred or suspended, or voluntarily excluded under 7 C.F.R. part 3017 by FCIC or any other U.S. Government Agency or disqualified by FCIC under 7 U.S.C. 1506(n) or 1515(h), as applicable, in any manner which involves performance under this Agreement. Use of a disqualified, debarred, suspended or voluntarily excluded person or entity may subject the Company and affiliate to suspension and debarment in accordance with 7 C.F.R. part 3017.

T. Member - Delegate

No member of or delegate to Congress nor any resident commissioner will be permitted to have any share or part of this Agreement or receive any benefit that may arise therefrom, except that this provision will not be construed to apply to a benefit from this Agreement that accrues to a member of or delegate to Congress nor any resident commissioner as a result of an interest in a corporation and the benefit is for the corporation's general benefit. Members of or delegates to Congress or any resident commissioner are eligible to purchase a crop insurance contract for any crop in which they have an insurable interest.

U. Discrimination

The Company must not discriminate against any employee, applicant for employment, insured, or applicant for insurance because of race, color, religion, sex, age, physical handicap, marital status, or national origin. The Company shall be in substantial compliance with all applicable Federal laws prohibiting discrimination.

V. Set Off

1. Funds due from the Company may be set off under the provisions of this Agreement or under the provisions of 31 U.S.C. chapter 37.
2. Any amount due the Company under this Agreement is not subject to any lien, attachment, garnishment, or any other similar process prior to that amount being paid under this Agreement, unless such lien, attachment, or garnishment arises under title 26 of the United States Code.
3. Set off as provided in this section will not deprive the Company of any right it might otherwise have to contest the indebtedness involved in the set off action by administrative appeal.
4. In the event a Company fails to pay any amount when due under this Agreement, any further payments to the Company from FCIC will be set off against any amounts due FCIC regardless of the reinsurance year until such amounts are paid with appropriate interest.
5. Notwithstanding an assignment made in accordance with section IV.W., FCIC may set off:
 - a. Any amount due FCIC under this Agreement;
 - b. Any amounts for which the Company is indebted to the United States for taxes for which a notice of lien was filed or a notice of levy was served in accordance with the provisions of the Internal Revenue Code of 1986 (26 U.S.C. 6323), or any amendments thereto or modifications thereof, before acknowledgment by FCIC of receipt of the notice of assignment; and
 - c. Any amounts, other than amounts specified in subparagraphs a. and b. due to FCIC or any other agency of the United States, if FCIC notified the assignee of such amounts to be set off at or before the time acknowledgment was made of receipt of the notice of assignment.

W. Assignment

1. No assignment by the Company shall be made of the Agreement, or the rights thereunder, unless:

- a. The Company assigns the proceeds of the Agreement to a bank, trust company, or other financing institution, including any federal lending agency, or to a person or firm that holds a lien or encumbrance at the time of assignment; and
 - b. The Company receives the prior approval of FCIC to assign the proceeds of this Agreement to any other person or firm.
2. Any assignment made under paragraph 1.:
- a. Will be recognized only if and when the assignee thereof files with FCIC a written notice of the assignment together with a signed copy of the instrument of assignment;
 - b. Must cover all amounts payable and not already paid under the Agreement;
 - c. Shall not be made to more than one party; and
 - d. Shall not be subject to further assignment, except that any such assignment may be made to one party as agency or trustee for two or more parties.

X. Resolution of Disagreements

If the Company disagrees with an act or omission of FCIC, except those acts implemented through the rulemaking process, the Company shall provide written notice of such disagreement to the Manager of FCIC. Within 10 business days of receipt of notice, the Manager or a designee will schedule a meeting with the company in an attempt to resolve the disagreement. Notwithstanding any other provision in this section, any subsequent decision by FCIC on the act or omission will be considered a final administrative determination of FCIC and, therefore, subject only to review by the Board of Contract Appeals, with respect to a matter relating to this Agreement, or to judicial review. Nothing herein excuses the Company's performance under this Agreement during the attempted resolution of the dispute or constitutes a waiver of the Company's right to any remedy authorized by law.

Certification

The undersigned acknowledges that the Company and its Board of Directors, if applicable, has authorized the Company to enter into this Agreement and the Plan of Operations. The undersigned acknowledges any misrepresentation in the submission of this Agreement and information contained in the Plan of Operations may result in civil or criminal liability against the undersigned or their representatives.

APPROVED AND ACCEPTED FOR

**THE FEDERAL CROP
INSURANCE CORPORATION**

THE COMPANY

Signature

Signature

Name

Name

Title

Title

Date

Date