

Compliance:

Appendix IV Review Types



Standard Reinsurance Agreement (SRA)

There are numerous monitoring, review, audit, and other oversight requirements in the Standard Reinsurance Agreement (SRA).

- The SRA is the contract between the Federal government and the insurers.
- In accordance with the SRA and Appendix IV, the Company will conduct all required compliance reviews and inspections.

Standard Reinsurance Agreement (SRA) - Required Reviews

The AIP is required to identify and conduct the following reviews in accordance with the SRA:

Individual Policy Reviews - policies, entities, agents, loss adjusters, or affiliates identified by FCIC and are conducted to protect program integrity.

Data Mining Reviews - identifies policies for which anomalies have been identified by FCIC and require a review.

- › Spot Check List – Purpose is to deter potential fraud, waste and abuse. Two lists of producers are identified for review:
- › Agriculture Risk Protection Act (ARPA) – identifies agents and adjusters with anomalous claim outcomes which warrant further investigation.
- › Excessive Yields - individual yields on a year, county, crop-type-practice basis that are so large as to rise above an algorithmically determined threshold.

Standard Reinsurance Agreement (SRA) - Required Reviews (cont.)

Operational Reviews - are intended to ensure that the Company's internal controls are in place, operational, and provide reasonable assurance that the liability and indemnities are properly established in accordance with FCIC procedures.

- › Conflict of Interest – a review is mandatory if the producer reports a loss on the policy.
- › Consecutive Loss Adjuster - conducted when a claim has been worked by the same adjuster for 3 consecutive claim years.
- › High Dollar Claim Reviews – conducted if the claim amount paid is in excess of \$200,000.
 - RMA has agreed to provide AIPs with reports to exclude non-anomalous policies from the \$200K High Dollar Review requirements.
 - Prevented planting & harvest losses are calculated separately.
- › Rainfall Index and Vegetation Index Reviews: the review verifies the insurable interest/share in the crop and the insurability of acreage.

Non-SRA Required Review Types Utilized by RMA

The AIP is required to identify and conduct additional reviews as identified by RMA:

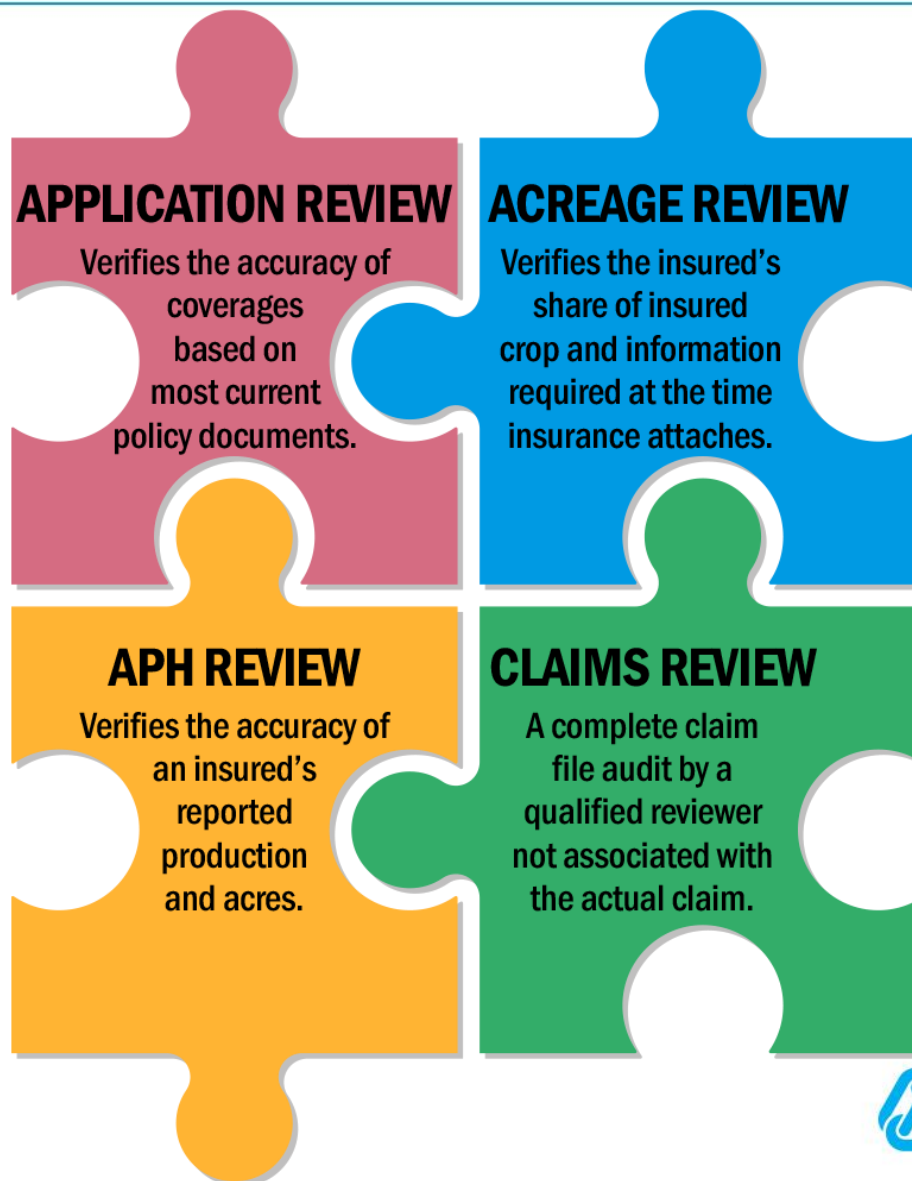
Program Reviews – a list is provided annually. Past examples include:

- › WFRP, Annual Forage, Dairy, Apiculture, Tobacco, Grapes, and Cotton

Data Mining Reviews

- › Isolated Prevented Planting (“only the lonely” and is applied by RMA on other than PP)
- › New Breaking/Native Sod
- › Misreported Claims (claim data not being carried forward to APH)
- › High Rated/High Risk Land
- › New Producer
- › Beginning Farmer/Rancher
- › Improper Payments
- › Delayed Claim/Delayed Notice

Components of a Compliance Review



APH Reviews

All APH Reviews are conducted by objective, unbiased persons who were not involved in establishing the guarantee, adjusting the loss this year, or in the sales (or supervision) of sales for the policies being reviewed.

Information required to complete an APH Review:

- › Documentation to verify insured's reported acres.
- › Acceptable production evidence to substantiate total production and acceptable evidence to support what was *certified on the production report*.
- › If any records appear questionable or if the amount of production on any of the acceptable record(s) appears unreasonable, the AIP/RMA may require the insured to provide supporting documentation to verify the certified production and/or its actual disposition

Acceptable Production Records

Examples of acceptable verifiable production records include:

- Sold/Commercial Storage Records
- Field Harvest Records
- Farm Stored Records
- Feeding Records
- Pick Records
- Sales Records
- Automated Yield Monitoring System Records
- Signed Appraisals

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