

**UNITED STATES DEPARTMENT OF AGRICULTURE**  
**Risk Management Agency**  
**OMB NUMBER: 0563-0069**

TITLE: Standard Reinsurance Agreement

PURPOSE: Request for Revision of a Currently Approved Collection

**1. Circumstances making collection of information necessary:**

The Federal Crop Insurance Act (Act), Title 7 U.S.C. Chapter 36 Sec. 1508 (k) authorizes the Federal Crop Insurance Corporation (FCIC) to provide reinsurance to approved insurance providers (Company) who insure producers of any agricultural commodity under one or more plans acceptable to FCIC. The Standard Reinsurance Agreement (SRA) establishes the terms and conditions under which FCIC will provide subsidy and reinsurance on eligible crop insurance contracts sold or reinsured by the approved Companies. This is a cooperative financial assistance agreement between FCIC and the Company to deliver eligible crop insurance under the authority of the Act. The SRA is authorized by the Act and regulations promulgated thereunder which are codified in 7 C.F.R., chapter IV. By regulation, each Company and its service providers, if applicable, must be in good financial standing and in compliance with the laws of the state where it is domiciled and in the states where it writes business.

**2. How, by whom, and purpose information is to be used:**

The SRA includes Appendix I (Program Integrity Statement), Appendix II (Plan of Operations), Appendix III (Data Acceptance System), and Appendix IV (Training and Quality Control). The Appendix II requirements provide FCIC with information and documents from the Company and its service providers. Any revisions and updates to Appendix II are required for each subsequent reinsurance year. The Appendix II exhibits consist of: Company information; managing agent information; designated managers of the business; address and telephone numbers of each regional office that will hold original insurance documents; organization names and addresses other than Company that will provide insurance services; the Company's certification that all affiliates are properly licensed; financial data (including the annual and quarterly statements); requested maximum reinsurable premium volume; estimated net book premium by state and fund; percent of net book premium to be retained in developmental fund by state; percent of net book premium to be retained in commercial fund by state; information for the electronic fund transfer payments; remittance funds designation names and addresses; a declaration of the escrow agreement; a report of the Company's reportable program expenses; the Company's intention to place a portion of the net liability in the commercial reinsurance market and its agreements to do so; a plan of how the Company will service the policies reinsured if service is no longer available; Company contact for training; a copy of the quality control plan required in Appendix IV; a copy of the annual written summary report required in Appendix IV; assurance statements regarding the requirements in Appendix I (procurement integrity, drug free workplace, disclosure of lobbying activities, and discrimination); any cooperative or trade association agreements; and the e-business implementation plan.

FCIC uses the information collected as a basis for determining whether the Company's financial and operational capability is sufficient for approval of an SRA to deliver the crop insurance program, and for evaluating the Company's performance regarding implementation of producers training and quality control. The information required in Appendix II and Appendix IV is collected annually. The policyholder information required in Appendix III is submitted electronically on a monthly basis.

### **3. Use of improved information technology:**

The Data Acceptance System (DAS) is the electronic data processing (EDP) system that receives, and accepts or rejects the Company data upon which all payments to FCIC and the Company are based. Appendix III provides instructions and information for the DAS reporting of Company data to FCIC. The DAS provides a means of validating data to ensure that reimbursements are made based upon the information submitted on each policyholder and it maintains a detailed record of all transactions. The Reinsurance Accounting System (RAS) is the EDP system that provides information regarding the payments to the Company per the terms of the SRA. The collection of information is submitted through the DAS and RAS systems and does not rely solely on any form of electronic submission. FCIC requests an electronic version of the Appendix II requirements, if available. Some of the financial statements are not available electronically, but FCIC is currently working with the National Association of Insurance Commissioners and the state insurance departments to receive the information they have electronically.

### **4. Efforts to Identify Duplication:**

The majority of the information that is collected is relative to the approved insurance provider and its resources employed in the crop insurance program. Although a smaller part of the material, such as the financial statements may be available from other sources, currently, the most effective and timely source is the Company.

### **5. Methods to minimize burden on small businesses or entities:**

This information collection does not impact small businesses or other small entities.

### **6. Consequence if information were not collected or collection were less frequent:**

FCIC would not be able to reinsure the crop business if the information was not collected or the collection of information was less frequent. FCIC requires the Companies to provide the updated information required in Appendix II and IV on an annual basis, prior to the beginning of the reinsurance year, to determine whether the Company qualifies to continue in the program. The Appendix III data is required for each reinsurance year the Company participates in the program, and is used for actuarial analysis and accounting reports. If the Companies had to price unsubsidized crop insurance as a stand-alone coverage, most farmers would not be able to afford the full-priced insurance premium.

### **7. Special circumstances of the information collections:**

FCIC requires the Company to submit data through the DAS and RAS systems for monthly reports regarding the book of business. The information is input into their database system when an application for federal crop insurance is received from the producer. The Companies use their DAS compatible system to transmit the data to FCIC, and do not have to generate any new data; the information is maintained in their database. FCIC requires the Company to retain records pertaining to premium or liability until the later of three years after final adjustment of the premium or final settlement of the claim. FCIC may also require, on a case-by-case basis, the Company to retain certain specified records for a longer period if it so notifies the Company in writing at any time before disposal of the record. The reason for these requirements is that all claims and litigation pertaining to a reinsurance year, may involve the Company and FCIC, and may not settle within three years after the end of the reinsurance year.

**8. Federal Register Notice, Summarization of Comments and Consultation with Persons Outside the Agency:**

The Federal Register Notice, Vol. 71, No. 130, Friday, July 7, 2006, page 38604; Risk Management Agency, Notice of Request for Revision of a Currently Approved Collection. FCIC has not received any comments for this Notice. FCIC collected information regarding the burden of hours from the following companies:

Rain and Hail LLC, Johnston, IA (515) 559-1000  
NAU Country Insurance Co., Ramsey, MN (763) 427-3770  
American Agri-Business Insurance Co., Lubbock, TX (806) 473-0333  
Great American Insurance Co., Cincinnati, OH (513) 763-8400

**9. Explain any decision to provide any payment or gift to respondents:**

FCIC did not make any decision to provide any payment or gift to respondents.

**10. Confidentiality provided to respondents:**

The data that is collected and handled in accordance with the established FCIC procedures for implementing the Privacy and Freedom of Information Act (FOIA). The information collection complies with the Privacy Act of 1974 and OMB Circular A-130, Responsibilities for the Maintenance of Records About Individuals by Federal Agencies.

Also, in Appendix I, Procurement Integrity;

“I.B. During this Agreement, no FCIC official shall knowingly:

3. disclose any proprietary or source selection information regarding the agreement directly or indirectly to any person other than a person authorized by FCIC to receive such information.”

**11. Questions of a sensitive nature:**

FCIC requires the producers to provide Social Security numbers (SSN) and Employer identification numbers (EIN) when applying for federal crop insurance. The FCIA gives FCIC the authority to collect this information pursuant to Section 506 (m)(1). The policyholders are identified by the SSN's and the EIN's and maintained in the database. FCIC does not have any other questions of a sensitive nature that are contained in the regulation.

**12. Estimate of information burden: (See attached worksheet with burden estimates)**

FCIC has an SRA with 16 Companies for the 2006 reinsurance year. The Companies are required to provide information to FCIC in order to deliver eligible crop insurance contracts. The burden placed on these companies is broken down into 3 categories. 1) The SRA – which requires companies to provide reinsurance, subsidy, expense, fee, payments, and Conflict of Interest disclosure information; 2) Appendix II The Plan of Operations which is their documentation on all financial disclosures; and 3) Appendix IV - report on the training of agents, loss adjusters and other personnel.

**13. Total Annual Cost to Respondents or Record keepers:**

There is no extra cost required of the Company because of this information collection. The Company use their normal agents, representatives and staff personnel to perform the data and information collection required by Appendix II and Appendix IV. These agents, representatives and staff are the same people, using the same business processes, who conduct the Company's normal business.

**14. Annual Cost to the Federal Government:**

There is no cost to the Federal Government for the collection of information pertaining to the SRA and Appendix II and IV. Company agents, representatives and staff personnel, using their existing computer systems and business resources, collect, compile and transmit the information to FCIC. Once received, FCIC evaluates and processes the information using their current personnel.

The Appendix IV annual summary report is prepared by the Company, but incorporates data supplied by FCIC.

**15. Reasons for changes in burden:**

There was an increase of **133,064** burden hours. Of this number, 20,800 were due to a program change which requires the Companies to submit Conflict of Interest disclosure information. The other burden increase of 112,264 was due to revisions to the SRA for the 2005 and subsequent reinsurance years and the omission of the agent and loss adjuster training requirements.

**16. Tabulation, analysis and publication plans:**

The data is not planned for publication.

**17. Reasons display of expiration date of OMB approval is inappropriate:**

FCIC does not produce or distribute any forms. Therefore, FCIC does not have a request not to display an expiration date on forms. The Companies use forms i.e., insurance policies and policy provisions, that must comply with FCIC standards.

**18. A. Exceptions to 83-1 Certification Statement:**

This information collection meets the certification requirements of SF-83-I, Item 19.

**18.B. Collections of Information Employing Statistical Methods:**

The information collection being addressed does not employ statistical methods.