

UNITED STATES DEPARTMENT OF AGRICULTURE
Federal Crop Insurance Corporation
OMB NUMBER: 0563-0069

TITLE: Standard Reinsurance Agreement

PURPOSE: Request for Revision of a Currently Approved Collection

1. Explain the circumstances that make the collection of information necessary. Identify any legal or administrative requirements that necessitate the collection. Attach a copy of the appropriate section of each statute and regulation mandating or authorizing the collection of information.

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. The SRA includes Appendix I (Regulatory Duties and Responsibilities), Appendix II (Plan of Operations), Appendix III (Policy Acceptance and Storage System), and Appendix IV (Quality Assurance and Program Integrity). Appendix I includes the Conflict of Interest and Controlled Business certification requirement specified in the Act, and other certifications required to conduct business with the government. 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. Appendix II exhibits include: 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 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; an E-Business plan; a risk assessment; and IT infrastructure detail. Appendix IV requires the Company to produce a Quality Control Plan, Training and Performance Evaluation Plan, a quality Control Report, and prescribes the training hours for both agents and loss adjusters.

2. Indicate how, by whom, and for what purpose the information is to be used. Except for a new collection, indicate the actual use the agency has made of the information received from the current collection.

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 I, II and IV is collected annually. The policyholder information required in Appendix III is submitted electronically on a monthly basis.

3. Describe whether, and to what extent, the collection of information involves the use of automated, electronic, mechanical, or other technological collection techniques or other forms of information technology, e.g. permitting electronic submission of responses, and the basis for the decision for adapting this means of collection. Also describe any consideration of using information technology to reduce burden.

The Policy Acceptance and Storage System (PASS) 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 PASS reporting of Company data to FCIC. PASS 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. FCIC requests the Appendix I, II and IV information requirements electronically, if available. The statutory financial statements and documents are downloaded by FCIC from the National Association of Insurance Commissioners (NAIC).

4. Describe efforts to identify duplication. Show specifically why any similar information already available cannot be used or modified for use for the purposed described in Item 2 above.

The majority of the information that is collected is relative to the Company and its resources employed in the crop insurance program. The statutory financial statements are available from the NAIC, the most effective and timely source for the other documentation is the Company.

5. If the collection of information impacts small business or other small entities (Item 5 of OMB 83-1), describe any methods used to minimize burden.

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

6. Describe the consequence to Federal program or policy activities if the collection is not conducted or is conducted less frequently, as well as any technical or legal obstacles to reducing burden.

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 I, II and IV on an annual basis, prior to the beginning of the reinsurance year, to determine whether the Company has met the requirements under the Act and qualifies to participate 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. Explain any special circumstances that would cause an information collection to be conducted in a manner:

- a) requiring respondents to report information to the agency more often than quarterly;
- b) requiring respondents to prepare a written response to a collection of information in fewer than 30 days after receipt of it;
- c) requiring respondents to submit more than an original and two copies of any document;

- d) requiring respondents to retain records, other than health, medical, government contract, grant-in-aid, or tax records for more than three years;
- e) in connection with a statistical survey, that is not designed to produce valid and reliable results that can be generalized to the universe of study;
- f) requiring the use of a statistical data classification that has not been reviewed and approved by OMB;
- g) that includes a pledge of confidentiality that is not supported by authority established in statute or regulation, that is not supported by disclosure and data security policies that are consistent with the pledge, or which unnecessarily impedes sharing of data with other agencies for compatible confidential use; or
- h) requiring respondents to submit proprietary trade secret, or other confidential information unless the agency can demonstrate that it has instituted procedures to protect the information's confidentiality to the extent permitted by law.

FCIC requires the Company to submit data through the PASS for monthly reports regarding the book of business. The information is input into the Company database system when an application for federal crop insurance is received from the producer. The Companies use their PASS compatible system to transmit the data to FCIC, and the information is maintained in their database for future use. FCIC requires the Company to retain records pertaining to premium or liability for three years after the last day on which records may be submitted through automated systems in accordance with Appendix III.

8. If applicable, provide a copy and identify the date and page number of publication in the Federal Register of the agency's notice, required by 5 CFR 1320.8 (D) soliciting comments on the information collection prior to submission to OMB. Summarize public comments received in response to that notice and describe actions taken by the agency in response to these comments. Specifically address comments received on cost and hour burden.

Describe efforts to consult with persons outside the agency to obtain their views on the availability of data, frequency of collection, the clarity of instructions and record keeping, disclosure, or reporting format (if any), and on the data elements to be recorded, disclosed, or reported.

Consultation with representatives of those from whom information is to be obtained or those who must compile records should occur at least once every 3 years even if the collection of information activity is the same as in prior periods. There may be circumstances that may preclude consultation in a specific situation. These circumstances should be explained.

The Federal Register Notice soliciting comments on the Risk Management Agency's intent to seek approval to conduct an information collection was published on Thursday, July 29, 2010, Volume 75, Number 145, page 44756. No comments were received.

FCIC collected information regarding the burden of hours from the companies for the Appendix I, II and Appendix IV requirements, and other information provided to FCIC. FCIC collected information regarding the burden of hours from the following companies:

American Agri-Business Insurance Co., Lubbock, TX (806) 473-0333
 Country Mutual Insurance Co., Bloomington, IL (309) 821-3107
 Producers Agriculture Insurance Co., Amarillo, TX (806) 372-6785
 NAU Insurance Co., Ramsey, MI (763) 427-3770

9. Explain any decision to provide any payment or gift to respondents, other than remuneration of contractors or grantees.

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

10. Describe any assurance of confidentiality provided to respondents and the basis for the assurance in statute, regulation, or agency policy.

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;

“l.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. Provide additional justification for any questions of a sensitive nature, such as sexual behavior or attitudes, religious beliefs, and other matters that are commonly considered private. This justification should include the reasons why the agency considers the questions necessary, the specific uses to be made of the information, the explanation to be given to persons from whom the information is requested, and any steps to be taken to obtain their consent.

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. Provide estimates of the hour burden of the collection of information. Indicate the number of respondents, frequency of response, annual hour burden, and an explanation of how the burden was estimated.

FCIC has an SRA with 16 Companies for the 2011 reinsurance year. The estimate of hours for Company to collect the covenant not to sue from the agents, required under section III(a)(2)(K) of the SRA is estimated at 1 hour, times 15000 respondents equals 15000 total hours, plus an estimated 24 hours for each of the 16 Companies for an additional 384 hours. At an average hourly wage rate (including benefits) of \$40, the total respondent cost is \$615,360.

The estimate of hours for Company employees and service providers to prepare the Conflict of Interest disclosure information required under Appendix I, section VI (e) is approximately 1 hour, times 21000 respondents equals 21000 total hours, plus an estimated 24 hours for each of the 16 Companies for an additional 384 hours. At an average hourly wage rate (including benefits) of \$40, the total respondent cost is \$855,360.

The estimate of hours for agent certifying to the Control Business requirement in Appendix I, section VII (b) is approximately 1 hour, times 15000 respondents equals 15000 total hours, plus an estimated 24 hours for each of the 16 Companies for an additional 384 hours. At an average hourly wage rate (including benefits) of \$40, the cost is \$615,360.

The estimated agent and loss adjuster training hours for the 18500 respondents required in Appendix IV is 119,500 total hours, which at an average hourly wage rate (including benefits) of \$40, the cost is \$4,780,000. The Quality Control Report required in Appendix IV by the 16 respondent is estimated at 640 total hours, which at an average hourly wage rate (including benefits) of \$40, the cost is \$25,600.

The estimate of hours for a Company to prepare the balance of information required under the Appendix II and IV is approximately 3,392 hours, which at an average hourly wage rate (including benefits) of \$40, equals a estimated cost of \$135,680.

13. Provide estimates of the total annual cost burden to respondents or record keepers resulting from the collection of information, (do not include the cost of any hour burden shown in items 12 and 14). The cost estimates should be split into two components: (a) a total capital and start up cost component annualized over its expected useful life; and (b) a total operation and maintenance and purchase of services component.

There are no capital/start-up or ongoing operation/maintenance costs associated with this information collection.

14. Provide estimates of annualized cost to the Federal government. Provide a description of the method used to estimate cost and any other expense that would not have been incurred without this collection of information.

There is no cost to the Federal Government for the collection of information pertaining to the SRA and Appendix I, 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.

15. Explain the reasons for any program changes or adjustments reported in Item 13 and 14 of the OMB Form 83-i.

The Agency is requesting approval for 175,684 annual burden hours, based on 70,252 annual responses. This is an increase of 31,420 burden hours from the previous approval period and a 200 increase in respondents. The difference is the result of: (a) the 2008 Farm Bill which legislated section a.10 of the Act requiring Controlled Business certification from participating agents. This results in an additional 15,016 responses and 15,384 burden hours; (b) section III.a.2.K of the 2011 SRA was added which requires the execution of a covenant not to sue by the companies and the participating agents. This results in an additional 14,960 responses and 15,384 burden hours; (c) section II(a) of Appendix IV to the SRA requires an annual Training and Performance Report from each of the companies, for an estimated increase of 960 burden hours; (d) the remaining 428 increase in burden hours is the result of RMA's requirement of additional financial and operational information under Appendix II of the SRA which is used to monitor the company's financial condition and operational capacity.

16. For collections of information whose results will be published, outline plans for tabulations, and publications. Address any complex analytical techniques that will be used. Provide the time schedule for the entire project, including beginning and ending dates of the collection of information, completion of report, publication date, and other actions.

The data is not planned for publication.

17. If seeking approval to not display the expiration date for OMB approval of the information collection, explain the reasons that display would be 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. Explain each exception to the certification statement identified in Item 19 "Certification for Paperwork Reduction Act."

There are no certifications exceptions identified with this information collection.

The Agency is able to certify compliance with all provisions under item 19 of OMB form 83-i.