

## 2011 Appendix II - Plan of Operations Guidance

The purpose of this document is to provide guidance regarding the Risk Management Agency's (RMA) information requirements and expectations as it pertains to selected Plan of Operations (Appendix II) exhibits. The guidance is divided into two main sections:

1. General Submission Guidelines
2. Plan of Operations Guidelines for Specific Exhibits

The Company will provide the Plan of Operations Exhibits for the Standard Reinsurance Agreement (SRA) and Livestock Price Reinsurance Agreement (LPRA), as applicable, for the 2011 Reinsurance Years (RY) in compliance with this guidance. If you have any questions, please contact David L. Miller, Director, Reinsurance Services Division at (202) 720-9830.

### SECTION I. GENERAL SUBMISSION GUIDELINES

A. Unless an Approved Insurance Provider (AIP) is specifically notified to the contrary, RMA will no longer require AIPs to submit the following items as part of the annual Plan submission:

- i. Exhibit III.a.1 – Statutory Annual Statements
- ii. Exhibit III.a.2 – Statutory Quarterly Statements \*
- iii. Exhibit III.a.3 – Management Discussion and Analysis
- iv. Exhibit III.a.4 – Actuarial Opinion of Reserves
- v. Exhibit III.a.5 – NAIC IRIS Ratios
- vi. Exhibit III.a.6 – NAIC Insurance Expense Exhibit

*\* Note: AIPs with Managing General Agencies (MGA) must remind the MGA to report Quarterly Statements directly to RMA, Reinsurance Services Division (RSD), within 30 days following the last day of the quarter.*

B. RMA requires:

- i. Each item listed in Appendix II (for either the SRA or LPRA) submitted electronically. The only exceptions are the Exhibits listed above under A.
- ii. All Plan exhibits submitted as individual files.
- iii. The following exhibits (SRA) submitted in Excel™ spreadsheet format (“.xls”) to facilitate RMA’s quantitative evaluation process: III.f.1-3, III.g.1-3, III.h.1-3, III.j.1, V.b, and V.c.
- iv. The following exhibits (LPRA) submitted in Excel™ format: III.f.1-3, III.g.1-3, III.h.1-3, III.j.1 (if not already submitted under the SRA); and V.b, and V.c.
- v. All other exhibits (either the SRA or LPRA) should be submitted as PDF files.

C. RMA requires the following naming convention for all submitted files:

- i. The AIP’s DAS reporting organization code.
- ii. The reinsurance year, i.e. 2011.
- iii. “EX” for SRA exhibits or “LEX” for LPRA exhibits.
- iv. Exhibit number (Ex. 1a)

- v. Show submission date in YY-MM-DD format.
- vi. A period followed by the file type, i.e. “pdf” or “xls”.

Examples of proper file names for a fictitious AIP with “RO” as the Reporting Organization Code:

RO 2011 EX 1a YY-MM-DD.pdf	<i>(SRA, Exhibit I.a)</i>
RO 2011 LEX 1a YY-MM-DD.pdf	<i>(LPRA, Exhibit I.a)</i>
RO 2011 EX 3a1 YY-MM-DD(Q1).pdf	<i>(SRA, Exhibit III.a.1., first quarter financial statements)</i>
RO 2011 EX 3f1 YY-MM-DD(previous).xls	<i>(SRA, Exhibit III.f.1.)</i>
RO 2011 EX 3f2 YY-MM-DD(current).xls	<i>(SRA, Exhibit III.f.2.)</i>
RO 2011 EX 3f3 YY-MM-DD(approval).xls	<i>(SRA, Exhibit III.f.3.)</i>

## **SECTION II. PLAN OF OPERATIONS GUIDELINES FOR SPECIFIC EXHIBITS**

The AIPs must review with particular care the following general information and exhibits to ensure full compliance with the SRA Appendix II:

### **Exhibit III.f.1-3 – Agent Compensation Template**

For the previous and current reinsurance year, the Agent Compensation template reflects the commissions paid to agents by state (policy location) and by Revenue; All Other; and Catastrophic Risk Protection (CAT) insurance. These amounts are separated between commissions paid as a percent of gross premium plus salaries paid, and all other compensation (e.g. transfer, loss experience, and collection bonuses, profit sharing, etc.). For the upcoming reinsurance year, the Agent Compensation template reflects the A&O subsidy (excluding the additional A&O subsidy paid when the state loss ratio exceeds 120 percent), agent compensation less profit sharing, and profit sharing. Prior to payment of profit sharing, the company must provide an accounting statement reflecting their net profit share per SRA section III.a.4.D, certified by the financial officer.

RMA requires AIPs complete the Agent Compensation template which reflects:

- (a) incurred for the previous reinsurance year (ended June 30 of last year);
- (b) incurred plus estimated for the current reinsurance year; and
- (c) estimated for the upcoming reinsurance year for which the AIP is seeking approval.

### **Exhibit III.g.1-3 – Loss Adjustment Expense (LAE) Template**

RMA requires AIPs complete the LAE template and the required attachments the previous, current, and approval reinsurance years. The LAE template reflects the AIP’s total loss adjustment expenses:

- (a) incurred for the previous reinsurance year (ended June 30 of last year);
- (b) incurred plus estimated for the current reinsurance year; and

- (c) estimated for the upcoming reinsurance year for which the AIP is seeking approval.

### **Exhibit III.h.1-3 – Total Expense Template**

Expenses are to be prepared according to the National Association of Insurance Commissioners (NAIC) Annual Statement Instructions. RMA requires AIPs complete the Total Expense template which reflects crop-related expenses and revenues by reinsurance year, with estimates based on premium volume:

- (a) incurred for the previous reinsurance year (ended June 30 of last year);
- (b) incurred plus estimated for the current reinsurance year; and
- (c) estimated for the upcoming reinsurance year for which the AIP is seeking approval.

### **Exhibit IV.k. – Identification of Cooperative or Trade Associations**

RMA requires the Company to ensure compliance with the SRA, Section II.a.5., which prohibits a company and its affiliates from providing a rebate except as authorized by the Federal Crop Insurance Act (Act). The Company must completely review their business operations, transactions, and those of any affiliates to ensure the appropriate disclosures are made as required in Exhibit IV.k., to qualify to provide a payment to producers through a cooperative or trade association as authorized by section 508(b)(5)(B), of the Act.

### **Pandemic Planning Checklist**

AIP must submit a current, updated Business Pandemic Influenza Planning Checklist. AIPs must provide this progress report indicating steps that have been taken to increase readiness since last year's submission. The completed checklist must be submitted as: RO 2011 Pandemic YY-MM-DD.pdf