

Rain and Hail L.L.C.

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IMPORTANT NOTICE

December 26, 2007

All agents and adjusters

RE: State and Federal Rebating Enforcement Initiative

The Risk Management Agency (RMA) is requiring all Approved Insurance Providers (AIPs) to notify all "employees and affiliates" of the attached three documents which require your careful review:

1. RMA Bulletin No. MGR-07-009.
2. RMA letter to all AIPs dated December 14, 2007.
3. December 14, 2007 letter to all AIPs from 28 State Insurance Regulators.

If you desire clarification of any state law or rule, we recommend that you seek guidance directly from the insurance regulator in your state.

If you desire clarification of any laws or rules that apply to Federal Crop Insurance, you should seek guidance directly from the RMA.

We cannot provide legal advice as to whether any specific situation potentially constitutes a violation of RMA or state rebating laws or rules. If you have questions that you are not able to resolve directly with a regulator, we highly recommend that you seek legal advice from the attorney of your choice.



United States
Department of
Agriculture

Risk
Management
Agency

1400 Independence
Avenue, SW
Stop 0801
Washington, DC
20250-0801

BULLETIN NO: MGR-07-009

TO: All Approved Insurance Providers
All Risk Management Agency Field Offices
All Other Interested Parties

FROM: Eldon Gould /s/ *Eldon Gould*
Administrator

12/14/2007

SUBJECT: State and Federal Rebating Enforcement Initiative

BACKGROUND:

Section II.A.4 of the Standard Reinsurance Agreement strictly prohibits the rebating of Federal crop insurance premiums by approved insurance providers (AIPs) and their affiliates, except under certain conditions stipulated in the Federal Crop Insurance Act. In spite of this prohibition, the Risk Management Agency (RMA) and insurance department officials in many States have received a growing number of complaints and allegations of illegal rebates in recent years tied to Federal crop insurance purchases. Consequently, RMA and State insurance departments have decided to launch an initiative aimed at increased collaboration in the enforcement of rebating prohibitions. The attached two letters—one from the RMA Administrator and one from various State insurance regulators—describe this initiative.

ACTION:

AIPs must ensure that all employees and affiliates are notified regarding these two letters and their contents within fourteen days of the date of issuance of this bulletin. AIPs must also ensure that the contents of the letters are discussed in all FCIC program training sessions related to the sales and service of the Federal crop insurance program conducted by the AIP for its employees and affiliates starting fourteen days after the issuance of this bulletin through March 15, 2008.

DISPOSAL DATE:

This bulletin will remain in effect until December 31, 2008.



The Risk Management Agency Administers
And Oversees All Programs Authorized Under
The Federal Crop Insurance Corporation

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**United States
Department of
Agriculture**

Risk
Management
Agency

1400
Independence
Avenue, SW
Stop 0804
Washington, DC
20250-0801

December 14, 2007

TO: All Approved Insurance Providers:

SUBJECT: State and Federal Rebating Enforcement Initiative

This is to notify you that the Risk Management Agency (RMA) is launching an initiative to increase the level of shared information with State insurance commissioners regarding the enforcement of State law and the Standard Reinsurance Agreement concerning illegal rebating.

RMA has determined that incidents of illegal rebating of Federal crop insurance premiums have increased in recent years. Attempts to circumvent rebating prohibitions have become prevalent and more complex. Examples of schemes with the hidden purpose of illegal rebating include the creation of special investment entities and the recruiting of producers as licensed sub-agents to write their own policies. Some of these schemes violate not only the Federal prohibition against rebating, but also certain State statutes regarding, for instance, the types of entities allowed to sell insurance. Consequently, RMA will cooperate with the State insurance commissioners and share information relating to potential rebating violations. Specifically, RMA will do the following:

- Notify the affected State when a Federal crop insurance rebating complaint or allegation is received;
- Provide background information on relevant past rebating investigations and findings;
- Share specialized tools that assist in the identification of potential rebating (such as those developed from RMA's data mining capability);
- Share information with affected States regarding RMA's understanding of the operation of complex schemes designed to circumvent rebating prohibitions;
- Take appropriate actions when violators of the respective laws are identified; and
- Inform the affected State of the assessment of penalties or sanctions to a rebating violator.

RMA is confident that this effort will produce results targeted at maintaining professional conduct and ethics in the marketplace. In addition to being better able to handle traditional rebating, RMA will be better positioned to target various schemes that have been purposely devised to circumvent rebating prohibitions.

Given this increased sharing of information, RMA expects to uncover illegal rebating where or when it exists, and to be more effective in enforcement of rebating prohibitions. RMA is especially intent on seeing the results of these efforts for the spring 2008 crop



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year selling period for Federal crop insurance.

You can assist by ensuring that all of your employees, loss adjusters, affiliated agents and other interested parties are fully aware of rebating laws, regulations and prohibitions; the serious penalties that result from illegal rebating; and the coordinated efforts of State and Federal insurance regulators to address illegal acts or violators.

Sincerely,

Eldon Gould /s/ *Eldon Gould*
Administrator

12/14/2007

DATE: December 14, 2007

TO: All Approved Multi-Peril Crop Insurance Providers

FROM: Commissioner Walter Bell, Alabama Department of Insurance
Commissioner Julie Benafield Bowman, Arkansas Department of Insurance
Director Christina Urias, Arizona Department of Insurance
Acting Commissioner John P. Camacho, Department of Revenue & Taxation, Insurance
Branch, Government of Guam
Commissioner Susan Voss, Iowa Division of Insurance
Interim Commissioner Jim Atterholt, Indiana Department of Insurance
Director Michael McRaith, Illinois Division of Insurance
Commissioner Sandy Praeger, Kansas Department of Insurance
Commissioner James J. Donelon, Louisiana Department of Insurance
Superintendent Eric Cioppa, Maine Bureau of Insurance
Commissioner Glenn Wilson, Minnesota Department of Commerce
Director Doug Ommen, Missouri Department of Insurance
Commissioner John Morrison, Montana Department of Insurance
Commissioner Adam Hamm, North Dakota Department of Insurance
Director Ann Frohman, Nebraska Department of Insurance
Superintendent Morris Chavez, New Mexico Department of Insurance
Commissioner Alice Molasky-Arman, Nevada Division of Insurance
Director Mary Jo Hudson, Ohio Department of Insurance
Commissioner Kim Holland, Oklahoma Department of Insurance
Acting Insurance Administrator Carl Lundberg, Oregon Insurance Division
Acting Commissioner Joel Ario, Pennsylvania Insurance Department
Director Merle Scheiber, South Dakota Division of Insurance
Commissioner Leslie Newman, Tennessee Department of Commerce & Insurance
Commissioner Mike Geeslin, Texas Department of Insurance
Commissioner Kent Michie, Utah Department of Insurance
Commissioner Mike Kreidler, Washington Office of the Insurance Commissioner
Commissioner Sean Dilweg, Office of the Commissioner of Insurance
Commissioner Jane L Cline, West Virginia Offices of the Insurance Commissioner

RE: State and Federal Rebating Enforcement Initiative

Dear Insurer:

This is to notify you that numerous states and Risk Management Agency (RMA) are launching an initiative to increase the level of shared information between state insurance commissioners and RMA relating to the Standard Reinsurance Agreement, specifically illegal rebating of Federal crop insurance premiums, as well as other government insurance regulations.

Several states and RMA have determined that the incidents of illegal rebating of Federal crop insurance premiums have grown in recent years. It has also been observed that attempts to circumvent state rebating prohibitions have become increasingly prevalent and more complex. Examples of schemes with the hidden purpose of illegal rebating include the creation of special investment entities and the recruiting of producers as licensed sub-agents to write their own policies. Consequently, the states are pledging to cooperate with RMA to discover and end illegal rebating schemes. Specifically, the states will do the following:

- Notify RMA and other states when a Federal crop insurance rebating complaint or allegation is received;
- Provide RMA and other states background information on relevant past rebating investigations;
- Coordinate with RMA and other states on all new rebating investigations, as appropriate;
- Share with RMA and other state's specialized rebating analyses (such as information generated from data mining);
- Share state and Federal legal expertise to review and analyze complex rebating schemes as well as other crop insurance issues;
- Inform RMA and other states of any assessment of penalties or sanctions taken by a state involving a rebate violation, and
- Take appropriate actions when violations of the respective laws are identified.

We are confident that this joint effort will produce results targeted at maintaining professional conduct and ethics in the marketplace. These procedures will enable the states and RMA to be better equipped to handle traditional illegal rebating and will enable both to have a better capability in identifying and targeting various schemes that have been especially devised to circumvent rebating prohibitions.

Given this increased sharing of information between state and Federal agencies, we expect to enhance our ability to uncover illegal rebating where or when it exists, and to be more effective in the enforcement of rebating prohibitions. We are especially intent on seeing the results of our efforts for the spring 2008 crop year selling period for Federal crop insurance.

You can assist us by ensuring that all of your employees, loss adjusters, affiliated agents and other interested parties are fully aware of the rebating laws, regulations and prohibitions, understand that serious penalties can result from illegal rebating, and have been notified of the coordinated efforts of state and Federal insurance regulators to address illegal acts.

Sincerely yours,

Mark Schreiner
Director, SD

Jim
Commissioner, ND
Hymie Holland
Commissioner, OK

Updell

Director, Ohio Dept of Insurance

Carl N. Lundberg OR

Sandy Praeger, KS

Mrs D G
STATE OF NEW MEXICO

Richard F. White, IL

James Atterhalt IN

Jusan G. Voss, Iowa

Lulu A. Newman, TX

B. Kent Michie, UT

John W. Orendic, GA

JJ PA

S. Ditzel, WI

Mike Kuebler

Jane Clie NV
Julie B Bowman

Eric Gys

Mike Geeslin
Texas

Ann Frohman NE
Chet W. AZ

Rudolf S. Hall
Alaska

Regan D. Moore
Missouri

John J. Zwickler
LOUISIANA

John Moir

John J. Zwickler

Ann Nelson