



**United States Department of Agriculture**

Farm and Foreign Agricultural Services  
Risk Management Agency

**INFORMATIONAL MEMORANDUM**

TO: All Reinsured Companies  
All Risk Management Agency Field Offices  
All Other Interested Parties

FROM: Kenneth D. Ackerman /s/ Ken Ackerman 6-6-00  
Administrator

SUBJECT: Statutory Accounting of the Multiple Peril Crop Insurance Program

In September 1998, the Risk Management Agency (RMA) contacted the National Association of Insurance Commissioners (NAIC) expressing concern over the various methods used to account for Multiple Peril Crop Insurance (MPCI) and the impact on the ability of RMA and State insurance departments to monitor this line of business. RMA recommended that if the NAIC Statutory Accounting Principles Working Group (SAPWG) should decide to pursue this issue that a workgroup consisting of MPCI reinsured company representatives be established to provide the SAPWG staff with the needed technical expertise to draft a Statement of Statutory Accounting Principles (SSAP) issue paper. The SAPWG approved the issue for review and the MPCI Accounting Working Group was assembled (Attachment).

The MPCI workgroup conducted meetings, tele-conferences, and e-mail discussions to assist the SAPWG staff in identifying where accounting standards were needed and which standards were appropriate for the MPCI program. While the workgroup achieved consensus on most issues, there was disagreement regarding the method for recognition of net premium. The working group was surveyed and of the fourteen responses ten supported one method, three another, and one did not consider either option adequate. RMA hired a consultant to develop a universally-acceptable accounting method, but it was unable to propose one. Much of the complexity is related to the structure of the Standard Reinsurance Agreement (SRA).



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All Programs Authorized Under the Federal Crop Insurance Corporation

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The SSAP issue paper is scheduled to be submitted by SAPWG staff to the SAPWG for review and determination on whether to proceed. If the SAPWG decides to accept the SSAP issue paper, it would be presented at the NAIC's June meeting and posted on their website for a sixty-day comment period. Then, at the NAIC September meeting, a public hearing will be held and the written comments considered. Any changes would be made to the issue paper Summary Conclusion and this part of the issue paper exposed as an SSAP for a sixty-day comment period. Finally, at the NAIC December meeting, a hearing is held and comments read on the exposed SSAP. Afterwards, the SSAP would be finalized and would be effective for the 2002 SRA.

RMA appreciates the contributions made by the MPCCI workgroup members in providing the program technical expertise needed by the SAPWG staff to produce the SSAP issue paper.

## **National Association of Insurance Commissioners Workgroup on Accounting Standards for Multiple Peril Crop Insurance (MPCI)**

### **COMPANY**

### **REPRESENTATIVE**

Alliance Ins. Co./

Amy Wiggins

Farmers Alliance Mutual Ins. Co.

American Agricultural Ins. Co.

Robert Lawrenz Jr.

American Agri-Business Ins. Co.

Sue Tingleff

American Growers Ins. Co

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Country Mutual Ins. Co.

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Bob Evans

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