OREGON INSURANCE DIVISION BULLETIN INS 2008-3

TO: All Resident Multi-Peril Crop Insurance Producers
RE: State and Federal Rebating Enforcement Initiative

The purpose of this bulletin is to inform insurance producers 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 with regard to illegal rebating of federal crop insurance premiums, as well as other government insurance regulations.

The states and RMA have determined that the number of incidents of illegal rebating of federal crop insurance premiums has 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 states 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, rules 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.

This bulletin takes effect immediately.

Signed this 11th day of April 2008 in Salem, Oregon.

(Signed)
Scott Kipper, Insurance Administrator