

# CONFLICT OF INTEREST

## From Appendix IV of the Standard Reinsurance Agreement

### **A: Definitions:**

**Inspection** means the examination as applicable of the insured crop, the information or data recorded on documents submitted to establish the premium, liability, indemnity or prevented planting or replant payment or any other information that may be necessary to determine whether the crop insurance contract constitutes an “eligible crop insurance contract” or the agent or loss adjuster has complied with procedures. At a minimum, the review process entails the verification of the information or data to determine whether the information was timely submitted and accurate.

**Verification** means the determination of whether information submitted is true and accurate through independent means in accordance with procedures. With respect to certifications, asking the provider of the information whether the information is true and accurate does not constitute verification. Information from independent third parties or independent documentation must be obtained.

“**Familial relationship**” means the same as “relative.”

**Relative** means an individual who: 1) is a parent, brother, sister, child, spouse, grandchild, or grandparent; or 2) either resides in the household of, or engages in business with respect to a farming operation with, the person in question regardless of whether or not the individual is related by blood, adoption or marriage.

### **B: Conflict of Interest reviews:**

(a) The Company must conduct inspections for eligible crop insurance contract claims of persons directly associated with the Federal crop insurance program (i.e., employees or affiliates of the Company or employees of FCIC).

(b) The Company must notify in writing its employees and affiliates who are involved in the sale, service, or delivery of eligible crop insurance contracts, loss adjustment of eligible crop insurance contracts, or the supervision of either, of the rules regarding conflicts of interest contained in the Agreement and applicable procedure.

(c) Applicable employees and affiliates will be required each year to submit a signed statement that verifies awareness of the conflict of interest rules and an agreement to abide by them.

(d) In addition to the requirement in (c), and in accordance with the requirements of section IV.F.4.h. of the Agreement, applicable employees and affiliates must annually disclose the required information by the applicable acreage reporting date. Such disclosure must include the name of the policyholder or person with a substantial beneficial interest in the policyholder, and the type of relationship.

(e) If the applicable employee or affiliate enters into a business, financial, legal or familial relationship with the policyholder after the annual disclosure, the applicable employee or affiliate must disclose the information required in subparagraph (d) within 15 days of the entering the relationship.

(f) The Company must evaluate the business, financial or legal relationship to determine whether the applicable employee or affiliate is in violation of section IV.F.4.d. of the Agreement or whether a conflict of interest review is necessary to determine if such violation has occurred. At a minimum, such reviews will be necessary when:

- i. The applicable employee or affiliate has a familial relationship with the policyholder or a person with a substantial interest in the policyholder; or

- ii. The business, financial relationship or legal relationship with the policyholder has the potential to produce an incentive to create or inflate a loss because the applicable employee or affiliate, or a relative of the employee or affiliate, is entitled to a portion of the proceeds of the crop or the crop insurance payment or would otherwise receive a benefit from the policyholder based on the existence of crop insurance and their relationship.

(g) If a conflict of interest review is necessary, it will consist of a inspection for the eligible crop insurance contracts for which the conflict of interest exists.

**C: Conflict of Interest requirements from the Standard Reinsurance Agreement:**

a. The Company and its service providers shall not permit their sales agents, agency employees, sales supervisors, or any relative of its sales agent, agency employee or sales supervisor, to be involved in loss adjustment activities in a county or adjoining county where the sales agent, agency employee or sales supervisor performs sales functions (except receipt and transfer to the Company of a notice of loss), including the following:

- i. The supervision, control, or adjustment of a claim;
- ii. Obtaining sales or production records for the purposes of loss adjustment on behalf of the policyholder (other than simply collecting information directly from the policyholder and providing it to the Company);
- iii. A loss adjustment determination or verification required to complete a claim or the determination or verification of a cause of loss;
- iv. Verification of yields for the purpose of validating insurance coverage or the guarantee;
- v. After a notice of loss is filed by the policyholder, advising or assisting the policyholder in any manner regarding the preparation of the claim and the determination of the indemnity, including, but not limited to, whether the loss adjuster correctly applied loss adjustment procedures; or
- vi. Any other function reserved for loss adjusters in the procedures.

b. The Company and its service providers shall not permit any person, or any relative of such person, involved in the loss adjustment determination or verification required to complete a claim or the determination or verification of a cause of loss, to be involved with the sales, solicitation or brokering of an eligible crop insurance contract or with any other function reserved for the agent in the procedures approved by FCIC in a county or adjoining county where the claims supervisor, employee or contractor performs claims functions.

c. If the Company elects to allow the same loss adjuster to work claims on which an indemnity was paid for more than two consecutive years for the same policyholder, the Company shall be required to review claims identified by FCIC as required in Appendix IV.

d. The Company and its service providers shall not permit any person involved in the loss adjustment determination or verification required to complete a claim, or the determination or verification of a cause of loss, to adjust a loss for:

- i. A policyholder with whom they have a business, financial or legal relationship (Business, financial and legal interests include but are not limited to lending money, custom farming, leasing land or other property, selling other goods or services besides insurance, or activities of a similar nature. The sale and purchase of crop insurance does not constitute a business, financial or legal relationship with the policyholder that must be reported);
- ii. A policyholder, or a person with a substantial beneficial interest in the policyholder, whose eligible crop insurance contract was sold by a relative of the person; or
- iii. A relative of the person.

e. The Company and its service providers shall not permit their sales agents, the owners or employees of their sales agencies, their sales supervisors, or any relative to be involved in the acceptance and verification of underwriting data relating to eligibility and coverage for an eligible crop insurance contract written by such person.

f. A person employed by the Company or its service provider for the general supervision of the sales and service of eligible crop insurance contracts may supervise those activities associated with the general administration of such contracts, which may include the management of training, servicing, underwriting, and loss adjusting.

g. Consistent with subparagraphs a. through f., all quality control reviews must be conducted by objective and unbiased persons who were not involved in establishing the guarantee, sales, adjusting the loss, or the direct supervision of sales or loss adjustment activities for the eligible crop insurance contracts reviewed.

h. The Company must notify all of its employees and affiliates, including agents, agencies, and loss adjusters, in writing of the duty to disclose to the Company and in turn FCIC any business, financial, legal or familial relationship with a policyholder, or a person with a substantial interest in the policyholder, in accordance with Appendix IV. In addition to any other sanctions in this Agreement, if the Company fails to follow the provisions of this subparagraph and Appendix IV, eligible crop insurance contracts sold or serviced by the person who failed to disclose business, financial, legal or familial relationship with a policyholder may not, at FCIC's discretion, be reinsured or receive A&O or risk subsidies for the reinsurance year for which such disclosure was not provided.

i. The Company shall notify FCIC within 3 business days when it discovers that a Company employee or affiliate of the Company has violated the requirements of this paragraph.

**In addition to any other sanctions in this Agreement, if the Company fails to follow the provisions of this subparagraph and Appendix IV, eligible crop insurance contracts sold or serviced by the person who failed to disclose business, financial, legal or familial relationship with a policyholder may not, at FCIC's discretion, be reinsured or receive A&O or risk subsidies for the reinsurance year for which such disclosure was not provided.**

The attached conflict of interest disclosure form is due by the earliest applicable acreage reporting date, and any changes to a disclosure statement submitted is due within 15 days of entering a relationship requiring disclosure.

Two signatures are required. One on the disclosure form and one on the privacy act.

After completing the Conflict of Interest Disclosure Form and signing the privacy act, fax or mail both forms to the applicable Regional Claims Manager:

Fargo states: Don Nelson at [don\\_nelson@afbisinc.com](mailto:don_nelson@afbisinc.com) or via fax at 701-476-6944.

Raleigh states: Allen Yeatts at [allen\\_yeatts@afbisinc.com](mailto:allen_yeatts@afbisinc.com) or via fax at 919-783-3520

# AMERICAN FARM BUREAU INSURANCE SERVICES, Inc.

## Conflict of Interest Disclosure Form

Name \_\_\_\_\_ Address \_\_\_\_\_ SSN xxx-xx- \_\_\_\_\_

Policy Sales       Loss Adjustment       Employee       Other \_\_\_\_\_

YES NO

- 1. Has your previously disclosed information changed from the previous year's disclosure?
- 2. Do you have a share in a crop insured under any eligible crop insurance contract insured by the Company?
- 3. Do any of your relatives (a parent, brother, sister, child, spouse, grandchild or grandparent or either resides in the household of, or engages in business with respect to a farming operation with, the person in question regardless of whether or not the individual is related by blood, adoption or marriage) have a substantial beneficial interest in any eligible crop insurance contract insured by the Company?
- 4. Do you have power of attorney to act on behalf of a policyholder with respect to any eligible crop insurance contract insured by the Company?
- 5. Do you have an ownership interest in a business (excluding stock in public corporations or entities in which you own less than a 10% interest) with any policyholder insured by the Company?
- 6. Do you have a rental or leasing arrangement for land, buildings, or equipment with any policyholder insured by the Company?
- 7. Are you an owner/operator of a business or a commissioned based employee that provides goods or services related to farming operations (custom farming, tractor sales, etc., but excluding insurance services) for which you receive revenue as the owner/operator or a direct commission as an employee with respect to any policyholder insured by the Company?
- 8. Are you an owner/operator of a business or a commissioned based employee that provides goods or services not related to farming operations (excluding insurance services) for which you receive revenue as the owner/operator or a direct commission as an employee with respect to any policyholder insured by the Company?
- 9. Are you a financial institution employee and part of the approval decision making process of financial arrangements for any policyholder insured by the Company?
- 10. Do you have an agent compensation, barter, or financial arrangement (excluding those reported under question 8. above) with any policyholder insured by the Company?
- 11. Do you have a business, familial, financial, or legal relationship that has not been identified above with any policyholder insured by the Company?
- 12. Do you have a relative who works with Federal crop insurance program for the Company or any of its affiliates?

**If any "Yes" answers above, please complete the following:**

Name of Insured \_\_\_\_\_ State \_\_\_\_\_ Policy Number(s) \_\_\_\_\_, \_\_\_\_\_

Please describe the conflict of interest:

\_\_\_\_\_

I am aware of the conflict of interest rules and agree to abide by the applicable rules in the Standard Reinsurance Agreement and its Appendices, and all applicable policies, and procedures. To the best of my knowledge all information provided is true and accurate, and that any false or inaccurate information may result in administrative, civil, and criminal sanctions under 18 U.S.C. §§ 1006 and 1014, 7 U.S.C. § 1506, 31 U.S.C. §§ 3729 and 3730 and any other applicable federal statutes or regulations.

Signature \_\_\_\_\_ Date \_\_\_\_\_

<b>Office use only</b>	<b>Conflict of Interest Determination</b>	
Based on the disclosure, is the policyholder(s) listed above considered a conflict of interest?      Yes      No		
Evaluated by _____ on _____		
Claims Manager	Date	

**COLLECTION OF INFORMATION AND DATA (PRIVACY ACT)**

To the extent that the information requested herein relates to your individual capacity as opposed to your business capacity, the following statements are made in accordance with the Privacy Act of 1974, as amended (5 U.S.C. 552a). The authority for requesting information to be furnished on this form is the Federal Crop Insurance Act, (7 U.S.C. 1501 et seq.) (Act) and the Federal crop insurance regulations contained in 7 C.F.R. Chapter IV.

Collection of the social security account number (SSN) or the employer identification number (EIN) is authorized by section 506 of the Act, and is required as a condition of eligibility for participation in the Federal crop insurance program. The primary use of the SSN or EIN is to correctly identify you, and any other person with an interest in you or your entity of 10 percent or more, as a policyholder within the systems maintained by the Federal Crop Insurance Corporation (FCIC). Furnishing the SSN or EIN is voluntary; however, failure to furnish that number will result in denial of program participation and benefits.

Your policy also specifies other information that must be provided. The principle purposes of this information are to provide insurance; reinsurance; determine eligibility; determine the correct parties to the agreement; determine and collect premiums or other monetary amounts (including administrative fees and over payments); and pay benefits. The routine uses of this information include: (1) referral to the appropriate agency, whether Federal, State, local or foreign including the Department of Justice, charges with the responsibility of investigating or prosecuting a violation of law, or of enforcing or implementing a statute, rule regulation or order issued pursuant thereto, of any record within this system when information available indicates a violation or potential violation of law, whether civil, criminal, or regulatory in nature, and whether arising by general statute or particular program statute or by rule, regulation or order issued pursuant thereto: (2) Disclosure to a court, magistrate or administrative tribunal, or to opposing counsel in a proceeding before a court, magistrate or administrative tribunal, of any record within the system that constitutes evidence on that proceeding, or which is sought in the course of discovery, to the extent that FCIC determines that the records sought are relevant to the proceeding; (3) Disclosure to a congressional office in response to any inquiry from the congressional office made at the request of that individual: (4) Disclosure to the Approved Insurance Providers (AIP) for any purpose relating to the sale, service, and administration of the Federal crop insurance program and the policies insured under the authority of the Act: (5) Disclosure to other Federal agencies and contractors, cooperators, and partners of FCIC for the purpose of conducting research, development, analyses, and evaluation into all aspects relating to new and existing crop insurance programs and other risk management tools: (6) Disclosure to contractors or other Federal agencies to conduct research and analysis to identify patterns, trends, anomalies, instances and relationships of AIP's, agents, loss adjusters and policyholders that may be indicative of fraud, waste, and abuse: (7) Disclosure to AIP's, contractors, and other applicable Federal agencies to determine whether information has been accurately provided to FCIC and the AIP's and to determine compliance with program requirements: and (8) Disclosure to AIP's contractors, cooperators, partners of FCIC, and other Federal agencies for any purpose relating to the sale, service, administration, analysis and evaluation of the Federal crop insurance program.

Furnishing the other information is also voluntary. However, failure to report the information specified in your policy may result in rejection of any claim for indemnity, replanting payment, or other benefit; ineligibility for insurance a unilateral determination of any monetary amounts due, or any other remedy provided in the policy.

**NONDISCRIMINATION STATEMENT**

The U.S. Department of Agriculture (USDA) prohibits discrimination in all its programs and activities on the basis of race, color, national origin, age, disability, and where applicable, sex, marital status, familial status, parental status, religion, sexual orientation, genetic information, political beliefs, reprisal, or because all or a part of an individual's income is derived from any public assistance program. (Not all prohibited bases apply to all programs.) Persons with disabilities who require alternative means for communication of program information (Braille, large print, audiotape, etc.) should contact USDA's TARGET Center at (202) 720-2600 (voice and TDD).

To file a complaint of discrimination write to: USDA, Director, Office of Civil Rights, 1400 Independence Avenue, S.W., Washington, D.C. 20250-9410 or call (800) 795-3272 (voice) or (202) 720-6382 (TDD). USDA is an equal opportunity provider and employer.

**CERTIFICATION STATEMENT**

I certify that to the best of my knowledge and belief all of the information on this form is correct. I also understand that failure to report completely and accurately may result in the sanctions under my policy, including but not limited to voidance of the policy and in criminal or civil penalties (18 U.S.C. §1006 and §1014; 7 U.S.C. §1506; 31 U.S.C. §3729, §3730 and any other federal statutes).

Crop Year	Policy No./State	Form Description			
Insured's Signature X	Date	Company Representative's Signature X	Code	Date	