

## **ARPA LIST REVIEW STANDARDS**

### **SUMMARY OF SCENARIOS**

The scenarios used to generate the ARPA List are subject to change from year to year. As such, the narrative associated with the ARPA list shall be retrieved from HyDRA. Once the ARPA list is generated the narrative is located under the Docs icon in the upper right toolbar.

### **REVIEW STANDARDS**

For the agent scenarios, the primary focus of the review will be the production and acreage reports used to establish the guarantee. Absent collusion with a loss adjuster, an inappropriately high guarantee is the main mechanism by which the actions of the agent could result in excessive losses. For the loss adjuster scenarios, the claim determination will be the focal point of the review to make sure the claim was worked in accordance with procedure and accurately reflects the magnitude of the actual loss. The intent of the ARPA List review and monitoring program is to identify, correct and/or deter the activities and interpretations of agents and loss adjusters that may be contributing to the poor loss experience. In general, data mining can only determine whether a given claim is anomalous; it cannot establish whether the loss is legitimate or identify the specific factors that contributed to the anomalous indication. As previously noted, being on the ARPA List does not mean the agent or adjuster is engaged in wrongdoing. Rather, it is an indication that the loss experience is not consistent with peers and further review and monitoring are warranted.

#### **I. Review and Monitoring**

1. Agent Scenarios – Underwriting Review: For each eligible crop insurance contract (ECIC) associated with an agent on the AIP's ARPA List, conduct an underwriting review of the acreage and production reports, along with the supporting documentation, used to establish the insurance guarantee for the crop insured for the reinsurance year that coincides with the year the ECIC appears on the ARPA List. For example, the 2021 ARPA List is distributed to AIPs in May 2021 and includes a list of policies that had claims for the 2020 reinsurance year. The AIP is to conduct an underwriting review of the 2021 acreage and production reports, not a review of the reports for the 2020 reinsurance year. The requirements for the acreage and production reports are described in the Crop Insurance Handbook (CIH) FCIC 18010-1, Parts 12 and 13, respectively. The intent of the underwriting review is to ensure the accuracy of the information used to establish the guarantee in accordance with instructions provided in the CIH, and that procedures are applied appropriately.

A. Acreage Report (CIH Part 12):

Review the information submitted on the acreage report (CIH Part 12, section 1211). The acreage report should meet all filing requirements described in section 1202, with appropriate adjustments for failure to file an acceptable acreage report (section 1203) or for an inaccurate acreage report (section 1204). Follow the guidance provided by sections 1212 through 1236 to validate the information submitted on the acreage report. Among the questions that the reviewer should be able to answer affirmatively for a valid, accurate acreage report:

- Are all acres reported accurately as described in the CIH?
- Are land classifications correct?
- Were guarantee reductions based on planting dates assessed as required?
- Is the share for each unit reported correctly?
- Does the unit structure selected meet the unit structure requirements?
- Were the conditions allowing a revised acreage report met?

B. Production Report and APH Database (CIH Part 13 and Part 15, respectively):

Review the information submitted on the production report (CIH Part 13, section 1308), following the review, verification and correction process specified in section 1309. The requirements for an acceptable production report are covered in section 1302 and production reporting requirements are described in section 1303. Assure the information is used appropriately to construct the Actual Production History (APH) databases following the procedures described in CIH Part 15. The intent of the review is to assess the production report and APH databases for yield accuracy, records acceptability, and unit structure used to establish the approved APH yields entered on the acreage report.

Among the questions the reviewer will be able to answer affirmatively for valid, accurate production reports and APH databases are the following:

- Are the production records used to support the production certification acceptable?
- Do the production records submitted support the unit structure?
- Do the production records support the approved APH?
- Do APH databases contain the correct yields (actual, assigned, non-actual, etc.)?
- Were the rules for construction of APH databases applied correctly?
- Does the Approved APH Yield accurately reflect (1) the information from the production report and supporting documentation, and (2) the correct use of applicable procedures?

2. Adjuster Scenarios -- Claim Review: For each ECIC on the ARPA List associated with a loss adjuster, conduct a review of the claim for the year shown on the report. For example, the 2021 ARPA List includes policies that had a 2020 reinsurance year claim. The claim review would be conducted of the reinsurance year 2020 policy. The intent of the claim review is to provide reasonable assurance that the claim was legitimate, worked according to applicable procedures, and the payment was correct.

A. Below are the types of questions the reviewer will be able to answer affirmatively following the claim review:

- Did the adjuster include all information required by the Loss Adjustment Manual in the file?
- Was a timely notice of loss provided in accordance with policy provisions?
- Was the cause of loss for all units correct and confirmed by the adjuster?
- Was unit structure, practice, type, variety, rotation requirements, etc. all confirmed by the adjuster?
- Was production to count calculated correctly?
- If part of the claim, did the adjuster use the correct quality factors (test weight, moisture, damage, etc.)?
- Were applicable appraisal procedures used correctly per the applicable crop LASH?
- Did the adjuster make a visual inspection of the loss units?
- Were all acres in each unit/line accounted for?

B. For each claim, evaluate the loss adjuster's determination and documentation for similar damage or in the adjuster's notes on the Production Worksheet.

C. For each claim, evaluate the adjuster's determination that all production was accounted for, per the Loss Adjustment Manual Standards Handbook (FCIC-25010-1), Parts 202(8)(d) and 901(5), as shown below:

“202(8)(d) – Inspect insured crops and establish all harvested, UH, and potential production for all units of each crop being inspected in accordance with Part 9. Determine (measure, if applicable) all farm-stored production from the loss units of the crop being inspected in accordance with Part 9.”

“901(5) – The adjuster must obtain and document an estimate of total production per acre for each undamaged or non-loss unit of the indemnified crop from the insured or the insured's authorized representative and record as instructed in the crop LASH.”

D. For each claim, evaluate the process used to verify the cause of loss and determine whether good farming practices were carried out.

- E. For each ECIC, review the production worksheet for loss units and estimated production for all non-loss units to determine if the amounts are reasonable. If the amounts are not reasonable, resolve yield and/or production-to-count discrepancies (inconsistencies, anomalies, etc.) that arise from the review of production from loss and non-loss units.
- 3. Agent & Adjuster Scenarios – Underwriting and Claim Reviews: The ARPA List may contain ECICs associated with both an agent and a loss adjuster. In these situations, the AIP will conduct both an underwriting review per Part I.1 “Agent Scenarios – Underwriting Review” and a claim review per Part I.2 “Adjuster Scenarios – Claim Review”.
- 4. All Scenarios -- Quality Control Review: Any claim filed for an ECIC and the associated crop and county identified under any of the agent and/or adjuster scenarios for the crop year in which the ECIC appears on the ARPA List is a mandatory quality control review. Thus, for example, if a producer first files a prevented planting claim and later files a claim for loss of production following harvest for an ECIC on the AIP’s ARPA List, the AIP would be required to conduct two quality control reviews following its normal procedures for such a review.
  - A. For each claim, evaluate the loss adjuster’s determination and documentation for similar damage or in the adjuster’s notes on the Production Worksheet. If the loss adjuster determined that damage was similar, interview the loss adjuster(s) and ask him/her to identify the similar acreage in the area used for loss comparison for the claim units under review.
  - B. For each claim, evaluate the adjuster’s determination that all production was accounted for. If the adjuster determined that all production was accounted for, interview the adjuster, and ask him/her to describe how production was verified for loss units and he/she estimated production on non-loss units, per the Loss Adjustment Manual Standards Handbook, Parts 202(8)(d) and 901(5).
  - C. For each claim, interview the loss adjuster and evaluate the loss adjuster’s process to verify the cause of loss and whether proper planting and care of the crop was carried out as it pertains to fertilizer, herbicides, irrigation, etc.
  - D. For each ECIC, review the production worksheet for loss units and estimated production for all non-loss units. Resolve yield and/or production-to-count discrepancies (inconsistencies, anomalies, etc.) that arise from the review of production from loss and non-loss units, e.g., production on loss unit well below county average while production on non-loss unit is well above county average.

If underwriting or loss adjustment errors or concerns are identified through the monitoring and review activities described in Parts I.1-I.4 above, interviews of the agents, loss adjuster, and/or insured, as applicable, may be warranted to determine the cause of the error and resolve the concern.

## II. Reporting of Results

1. For each ECIC subject to a review under any agent and/or adjuster scenario described above (Parts I.1 to I.4), the AIP shall:
  - A. Conduct an underwriting review, claim review, and/or quality control review as applicable.
  - B. Submit the appropriate P57 and P57A records through the Policy Acceptance and Storage System (PASS). A P57 record must be submitted for each review utilizing the data mining review code.
2. For each agent and adjuster on the AIP's ARPA List, the AIP shall:
  - A. Prepare a written evaluation that summarizes the results of monitoring and review program.
  - B. The written evaluation must include:
    - i. For the agent scenarios, a summary of the results of the acreage and production report reviews (Parts I.1. or I.3 above), along with the results of any quality control reviews conducted pursuant to Part I.4 above.
    - ii. For the adjuster scenarios, a summary of the results of the claim reviews conducted for losses from the prior year (paragraphs I.2 or I.3 above), along with the results of any quality control review conducted pursuant to paragraph I.4 above.
    - iii. Specific errors, omissions, deficiencies, etc. identified with respect to said agents and adjusters during the review and monitoring program.
    - iv. Any corrective actions taken by the AIP with respect to said agents and adjusters.
  - C. The written ARPA List evaluations should be submitted directly to RMA Compliance through the AIP HyDRA application maintained by the Center for Agribusiness Excellence (CAE). Send the documentation to the onsite RMA employee at CAE. To upload the documentation in HyDRA, utilize the AIP User Manual located in the Doc Library icon on the AIP HyDRA homepage. Submit summary evaluations after all reviews have been completed. The evaluations should no longer be submitted with the AIP's

annual Plan of Operations submission as discussed in the TPEP/TPER Guidance, Section II(3)(A).

3. Provide appropriate notification to RMA Compliance for follow up on any issues relating to potential fraud, waste, or program abuse uncovered during the reviews, per section IV of SRA Appendix IV.
4. AIPs should take action to collect improper payments and to resolve any questionable actions by a policyholder, agent, or adjuster.