

## **APPENDIX A**

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## **INTRODUCTION**

The Risk Management Agency's (RMA) Agricultural Risk Protection Act (ARPA) List identifies agents and adjusters with anomalous claim outcomes. Identification on this list does not mean that these agents and adjusters have necessarily committed fraudulent acts, but rather that their anomalous loss experience warrants further investigation.

## **METHODOLOGY**

The 2021 ARPA List is comprised of five scenarios for crop year (CY) 2020. A description of each scenario is included in this report. The scenarios are designed to identify agents and adjusters whose claim outcomes are anomalous over time. The specific crop policies that most contribute to the agent's and/or adjuster's anomalous losses are identified with each scenario. The following crop insurance products and commodities are excluded from the analysis: nursery, clams, oysters, Area Risk Protection, Dairy Revenue Protection, Hurricane Insurance Protection – Wind Index, Livestock, Margin Protection, Rainfall Index, Stacked Income Protection, Supplemental Coverage Option, and Whole Farm Revenue Protection.

Some types of claims are better evaluated using objective weather observations instead of statistical likelihood models. The statistical models assume everyone in the same geographic area will experience similar losses due to a weather event. However, damage from hail and tornado events follows a distinct spatial pattern that does not lend itself to a statistical evaluation relative to a broader geographic area. As a result, hail, tornado, and cyclone claims are validated using radar reflectance data and the location of the field on which a loss is claimed. Hail was the fourth largest cause of loss by indemnity in CY 2020 after excess moisture, drought, and wind. Freezes and frosts are validated using temperature data from the PRISM Climate Group, Northwest Alliance for Computational Science and Engineering (NACSE), based at Oregon State University.

The data used for analysis is current as of April 9, 2021.

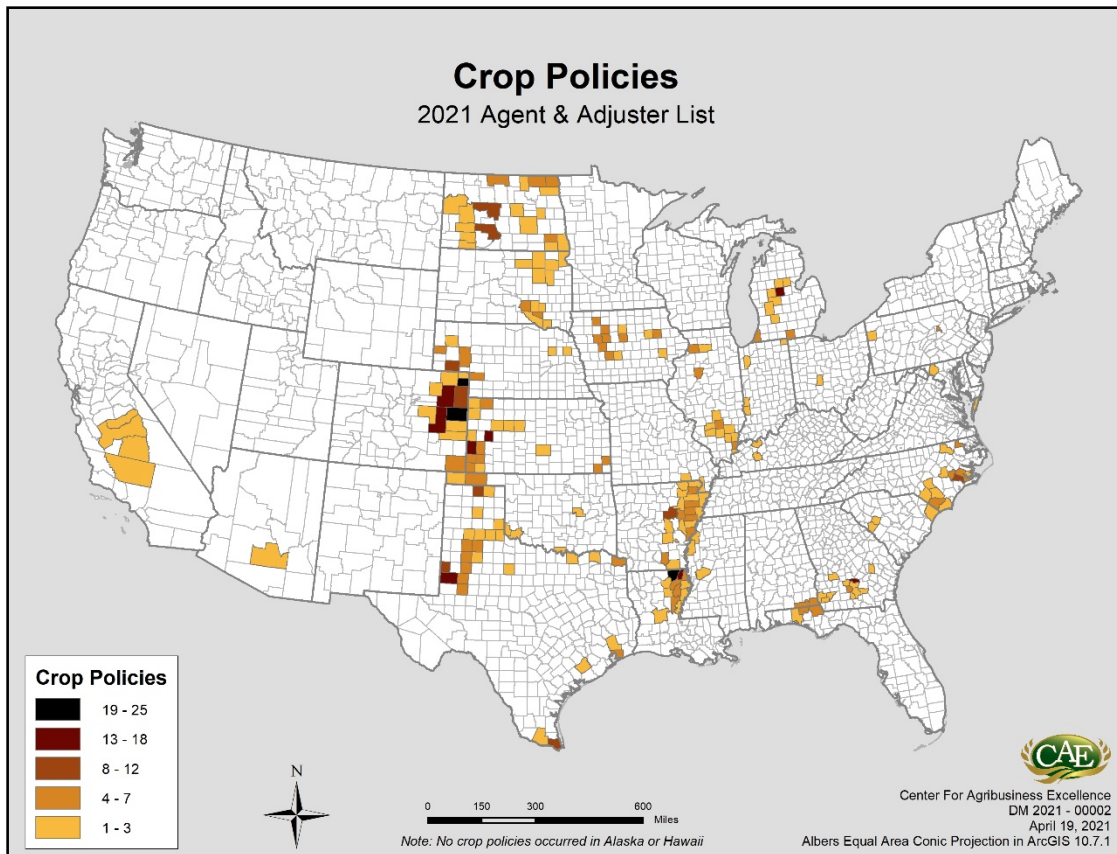
**RESULTS**

The five 2021 ARPA List scenarios identified 814 distinct policies, issued by 11 Approved Insurance Providers (AIPs), spanning 217 counties. The list identified 48 agents, with 30 of those appearing on previous ARPA lists. A total of 41 adjusters were identified, four of whom appeared on previous ARPA lists. Table 1 provides a summary of the 2021 ARPA List by fund. The loss cost is higher for the assigned risk fund, indicating more severe losses. The loss ratio is also higher for the assigned fund.

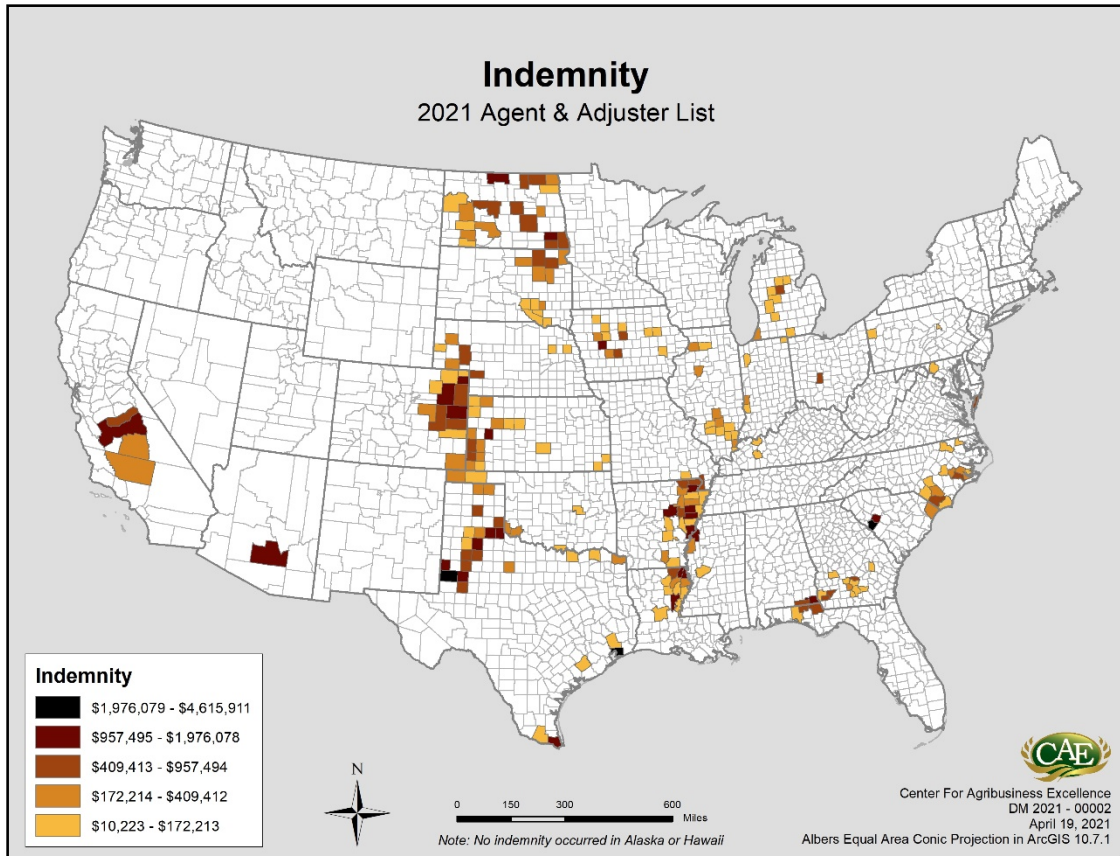
**Table 1. Summary of 2021 ARPA List by Fund**

Fund	Crop Policies	Liability	Indemnity	Total Premium	Loss Ratio	Loss Cost
A	283	\$66,954,464	\$45,964,050	\$16,235,519	2.8311	0.6865
C	531	\$104,995,355	\$45,307,932	\$17,566,663	2.5792	0.4315
<b>Total</b>	814	\$171,949,819	\$91,271,982	\$33,802,182	2.7002	0.5308

The maps below show the distribution of anomalous policies and indemnity throughout the contiguous United States.



**Figure 1. 2021 ARPA Anomalous Crop Policy Distribution Map**



**Figure 2. 2021 ARPA Anomalous Indemnity Distribution Map**

## **SUMMARY OF SCENARIOS**

### **AGENT GAINED BUSINESS**

The Agent Gained Business scenario identifies agents who have gained a significant amount of new business in a year that is comprised of either newly insured or transferred producer policies. Transfers due to a previous agent going out of business are not considered new business for the agent. The losses for the new business had to be anomalous relative to others in the same area. The same area refers to the same counties, crops, types, and practices found within the agent's book of business. The agent must also have exhibited this pattern over many years.

### **AGENT MAJORITY LOSS**

The Agent Majority Loss scenario identifies agents who have a significantly higher percentage of the losses in a county for a crop, type, and practice compared to their percent of liability. The scenario identifies producers in the agent's book of business for county, crop, type, and practice situations with a majority loss that have a loss cost significantly higher than that of their peers.

### **AGENT PERSISTENT EXCESS LOSSES**

The Agent Persistent Excess Losses scenario flags agents who have disproportionate losses for their entire book of business, each year, over a three-year period. The scenario only identifies those producers whose repeated disproportionate losses over the years are responsible for the persistent agent excess losses.

### **EXCESS LARGE SEVERE LOSSES**

The Excess Large Severe Losses scenario identifies agents whose larger policies lose more severely than larger policies in the same county for the same crop. Larger policies refer to those with at least \$200,000 of liability. This scenario identifies larger policies with a significantly more severe loss than others in the county for the same crop. The identified agents have the same set of producers who repeat this behavior for multiple years.

### **ADJUSTER SEVERE LOSSES**

The Adjuster Severe Losses scenario looks for adjusters with a loss cost significantly higher than other adjusters in the same area. The loss cost is compared by cause of loss for a crop, type, and practice in the same county. The same area is referring to this comparison level.

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**GLOSSARY**

<b>ADJUSTER NM</b>	Name of anomalous adjuster who worked the claim on the crop policy
<b>ADJUSTER ON PREV LIST</b>	Indicates if the flagged adjuster has been on a previous ARPA list
<b>ADJUSTER SSN</b>	Adjuster social security number
<b>AGENT NM</b>	Name of anomalous agent servicing the crop policy
<b>AGENT ON PREV LIST</b>	Indicates if the flagged agent has been on a previous ARPA list
<b>AGENT SSN</b>	Agent social security number
<b>AIP</b>	Approved Insurance Provider issuing policy
<b>COL</b>	Primary cause of loss
<b>COUNTY</b>	County name
<b>COUNTY CD</b>	Code use to identify the county
<b>COV CD</b>	Coverage code identifying 'Buy-up' or CAT
<b>CROP</b>	Crop name
<b>CROP CD</b>	Code used to identify the crop
<b>CY</b>	Crop year
<b>INDEM</b>	Indemnity
<b>INS PLAN</b>	Insurance Plan ID number
<b>LIAB</b>	Total liability
<b>PIC</b>	Policy Issuing Company
<b>POLICY</b>	Policy number assigned by the issuing entity
<b>RCO</b>	Regional Compliance Office
<b>RY</b>	Reinsurance year
<b>SCENARIOS</b>	The names of the scenarios identified for the policy
<b>STATE</b>	State abbreviated name
<b>STATE CD</b>	Code used to identify the state
<b>TOTAL PREMIUM</b>	Total premium, including producer premium and subsidy