

INFORMATIONAL MEMORANDUM: COM-23-002

DATE September 28, 2023

TO: All Approved Insurance Providers
All Risk Management Agency Field Offices
All Other Interested Parties

FROM: Heather Manzano, Deputy Administrator for Compliance /s/ Heather Manzano
9/28/2023

SUBJECT: Rebating Frequently Asked Questions Update

Background

Rebating and inducements to purchase crop insurance are strictly prohibited by the Federal Crop Insurance Act (Act) and the Standard Reinsurance Agreement, with limited exceptions authorized by the Act. This memo is to remind you that offering or receiving any rebate or inducement not allowed by the insurance policy is strictly prohibited in the Federal Crop Insurance Program.

RMA has recently received questions as to whether certain Pasture, Forage, and Rangeland (PRF) marketing techniques would be considered rebating or inducement practices. As a result of these questions, we have updated our rebate frequently asked questions ([FAQ](#)).

The following methods in question were specific to rainfall plans of insurance, but scenarios are applicable to all plans of insurance:

- Can an agent or a business associated with an agent ask a producer to sign a contract that requires a producer to acquire crop insurance policies only through a specific agent or agency in order to obtain additional goods, services, or incentives? (FAQ Scenario A - "contract terms" added)
- Can an agent or someone associated with the agent provide investment opportunities or additional services as a method to offset some or all the PRF insurance premium directly or indirectly? (FAQ Scenario F - "investment" added)
- Can premium be paid by someone other than the policyholder directly or indirectly through a method offered or arranged by the agent in exchange for purchasing the policy through the said agent? (FAQ Scenario G - added)
- Can a landlord arrange with a specific agent or agency to receive goods, services, or incentives in exchange for requiring their PRF lessees purchase crop insurance only through the specific agent? (FAQ Scenario H - added)

A situation that offers additional services or opportunities tied to a crop insurance premium that is not specified in the crop insurance policy is considered a rebate. This prohibition includes anything that would be deemed valuable consideration, inducement to procure or retain insurance, or a method used to circumvent the rules of the policy. Goods, services, special favors, or incentives that cannot be obtained unless there is a purchase of a crop insurance policy is likely a violation of federal law. In accordance with section 508(a)(9) of the Act, insurance agents and persons associated with an agent are prohibited from offering rebates or other inducements in connection with the crop insurance policy other than what is expressly stated in the policy.

Additionally, any insured who knowingly receives such inducement, premium rebate, special favor, or advantages of additional services or incentives will be in violation of the Act which may result in sanctions, including but not limited to criminal and civil penalties, administrative sanctions, and all other applicable federal statutes. Therefore, no agent, nor a person associated with an agent can offer, nor can an insured receive any investment opportunities, services, or options that would provide a method to pay or be credited, either directly or indirectly for the insurance premium in part nor in full.

Action

Any agent or insured who participates in any scheme to gain or provide a rebate, inducement, or additional benefits otherwise not obtainable in the crop insurance policy will be found to be in violation of section 508(a)(9) of the Act and subject to sanction under section 515(h) of the Act.

DISPOSAL: Effective until superseded or rescinded.