

Risk Management Agency Interpretation of Federal Crop Insurance Corporation Provisions:

Subject: Request dated March 8, 2021, to the Risk Management Agency (RMA) for an interpretation for the 2018 Whole-Farm Revenue Protection Pilot Handbook (WFRP) regarding whether subparagraph 23(12) permits an Approved Insurance Provider (AIP) to cancel a policy within the initial year of insurance or retroactively, after the initial year of insurance has concluded.

The relevant handbook procedure provided by the requestor is subparagraph 23(12):

23. Application

(12) The WFRP policy may not be cancelled during the first year. The insured or the AIP may cancel a WFRP policy for any policy year following the first year by giving a signed notice to the other party on or before the cancellation date. A request made by the insured to cancel the policy after the cancellation date will be effective the following policy year.

Interpretation Submitted by Requestor(s)

The first requester interprets subparagraph 23(12) to mean that neither the insured nor the AIP may cancel the WFRP policy during the first year. The first requester believes this is consistent with and not in conflict with section 4(c) of the 2018 WFRP Pilot Policy, wherein it states, “either you or we may cancel this policy after the initial insurance year...” The first requester also believes the language in subparagraph 23(12) of the handbook and section 4(c) of the policy prevent the AIP from cancelling the first year of coverage retroactively after the year has passed and the insured’s coverage has carried over into the second policy year. The first requester believes it would be contrary to the policy to allow an AIP to cancel the initial policy year after the insured has paid the premium for the initial policy year or a subsequent policy year, having undergone underwriting reviews and acceptance by the AIP. Finally, the first requester interprets subparagraph 23(12) as being not in conflict with Section 4(a) of the Policy because 4(a) is silent on whether the AIP can cancel during the first year.

The second requester begins with language in the 2018 WFRP Policy that is captioned “AGREEMENT TO INSURE,” which sets forth the priority in the event of a conflict between policy and procedure. Under this provision, the WFRP Policy controls and supersedes the WFRP Handbook. Section 4(a) of the WFRP Policy provides only that “you,” meaning the insured, may not cancel the policy for the initial insurance or policy year. Section 4(a) of the WFRP Policy controls section 23(12) of the WFRP Handbook. Therefore, section 23(12) of the WFRP Handbook may not be interpreted to mean that the AIP may not cancel a policy in the initial insurance or policy year.

Federal Crop Insurance Corporation Determination

FCIC disagrees with the first requester’s interpretation that subparagraph 23(12) in the 2018 WFRP Pilot Handbook is an absolute bar to the AIP cancelling the WFRP policy during the initial year of insurance. If at any time, during the initial year of insurance or a subsequent year, the AIP determines the insured does not meet the eligibility requirements contained in section 3 of the 2018 WFRP Pilot Policy, the insured’s WFRP policy may be cancelled.

FCIC agrees with the second requester that the 2018 WFRP Pilot Policy controls and supersedes the 2018 WFRP Pilot Handbook in the event that the language within handbook conflicts with the policy language. Furthermore, FCIC agrees that the language in subparagraph 23(12) of the 2018 WFRP Pilot Handbook cannot be interpreted to mean there are no circumstances in which an AIP may cancel a WFRP policy in the initial insurance year.

In accordance with section 33(a)(1) of the WFRP Pilot Policy, this FCIC interpretation is generally applicable and binding in any mediation or arbitration. In accordance with section 33(a)(1), any appeal of this interpretation must be in accordance with 7 C.F.R. part 11.