

Federal Crop Insurance Corporation Interpretation

Subject: Request dated September 15, 2023, submitted to the Risk Management Agency (RMA) for a Federal Crop Insurance Corporation (FCIC) interpretation of subparagraph 44(4) of the 2020 Whole-Farm Revenue Protection (WFRP) Pilot Handbook.

Reference:

The relevant policy provision is:

44. Allowable Revenue and Allowable Revenue Worksheet

- (4) *The AIP must not accept any revenue amount or an adjustment to the revenue amount if the amount reported for WFRP purposes cannot be verified using verifiable records or direct marketing sales records.*

First Requestor's Interpretation

The first requestor interprets Subparagraph 44(4) of the WFRP Handbook to allow the Approved Insurance Provider (AIP) to reduce revenues that cannot be verified, but it does not provide the AIP with authority to cancel the entire policy because a certain portion of the overall allowable revenue cannot be verified. The first requestor believes that if an insured is eligible and revenue amounts can be verified, that the AIP must provide coverage to the extent it is supported by the verified revenue amount. The first requestor also believes that not allowing for cancellation of a WFRP policy under Subparagraph 44(4) of the Handbook is consistent with FCIC's previous interpretations of Sections 9(g) and 15(j), (k), and (l) of the WFRP Pilot Policy, wherein FCIC stated that these sections of the WFRP allow the AIP to revise or adjust coverage or indemnity but do not allow for cancellation of a policy. See PM-C-21-68 (2018 WFRP Section 9(g)) and PM-C-21-64 (2018 WFRP Section 15(j)).

The first requestor believes that providing Schedule Fs prepared by an accountant and filed with the IRS and the supporting documents, such as income statements, sales, and expense invoices sent to and received from third parties that support the Schedule Fs, meets the requirement of providing verifiable records for Subparagraph 44(4). Further, the first requestor believes that this requirement does not change because the AIP cannot reconcile the Schedule Fs to the substitute Schedule Fs that the AIP required an insured to submit.

Second Requestor's Interpretation

The second requestor's interpretation of Subparagraph 44(4) of the 2020 WFRP Pilot Handbook is that the subparagraph itself does not authorize the cancellation of a WFRP Policy, it instructs the AIP that it may not accept revenue or adjustments to revenue if this revenue "cannot be verified through the use of verifiable records." The second requestor interprets this procedure to require the policyholder to provide verifiable records, as defined by the WFRP Handbook, to support its revenue and any adjustments to revenue. To this end, the second requestor interprets this to mean the verifiable records must be third party records rather than accounting or financial records prepared by the policyholder.

The second requestor also interprets Subparagraph 44(4) to mean if the policyholder cannot provide verifiable records to support revenue or adjustment to revenue or the verifiable records do not substantiate the income reported on the Schedule F filed with the IRS, the policyholder does not qualify for coverage, and the AIP may cancel the policy. As FCIC's prior interpretations noted, if the

AIP requests verifiable records to verify revenue, and these records result in the policyholder or its operation not meeting the eligibility requirements of Section 3 of the WFRP Policy, the AIP may cancel the policy. See PM-C-21-64 and PM-C-21-68.

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FCIC agrees with both requestors that Subparagraph 44(4) of the 2020 WFRP Pilot Handbook does not allow an AIP to accept revenue reported on the Schedule F if that revenue cannot be supported by verifiable records that meet the requirements found in the WFRP Pilot Handbook. FCIC also agrees with both requestors that subparagraph 44(4) of the 2020 WFRP Pilot Handbook does not authorize an AIP to cancel a WFRP policy and that the interpretations are consistent with the referenced FCIC Interpretations PM-C-21-64 and PM-C-21-68.

However, FCIC disagrees with the second requestor's interpretation that Subparagraph 44(4) of the 2020 WFRP Pilot Handbook means the AIP may cancel the policy if the policyholder cannot provide verifiable records to support revenue on the Schedule F or the verifiable records do not substantiate the income reported on their Schedule F. FCIC interprets Subparagraph 44(4) to mean that only the revenue reported on the policyholder's Schedule F that can be supported with verifiable records can be considered allowable revenue for the purposes of determining coverage.

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

Date of Issue: November 28, 2023