

**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 of whether section 4 of the 2018 Whole-Farm Revenue Protection (WFRP) Pilot Policy authorizes an Approved Insurance Provider (AIP) to cancel a policy in the initial year of insurance or retroactively after the initial year of insurance has concluded.

The relevant policy provisions provided by the requester are section 4(a), (b), and (c):

**4. *Life of Policy, Termination, and Cancellation***

- (a) *After we have accepted your application, you may not cancel this policy for the initial policy year.*
- (b) *This is a continuous policy and will remain in effect for each succeeding policy year following the acceptance of the original application until canceled by you in accordance with the terms of the policy or by us. In accordance with section 5, FCIC may change the coverage provided from year to year.*
- (c) *Either you or we may cancel this policy after the initial policy year by providing written notice to the other on or before the cancellation date.*

**Interpretation Submitted by Requestor(s)**

The first requester's interpretation of section 4 is that neither party can cancel the WFRP Policy during the initial policy year. Section 4(c) states that "[e]ither you or we may cancel this policy after the initial policy year ...." The first requester believes the use of the phrase "after" in Section 4(c), and the language in WFRP Handbook subparagraph 23(12) lends to the interpretation that the policy cannot be canceled by either party for the first year. Also, the first requester believes there is no language in section 4 or otherwise for either the insured or the AIP to cancel the policy for the initial policy year after the first year has concluded and to subsequently refund the premium paid by the insured for the initial policy year. The first requestor also interprets section 4 to mean that the AIP is not entitled to cancel an insured's WFRP coverage for the initial policy year at any time, either during the initial policy year or retroactively after the initial policy year has ended. Furthermore, revisions to the policy can occur pursuant to sections 15(j), (k), and (l), but this section also does not allow for the cancellation of the policy.

The second requester's interpretation of section 4(c) is that it permits an AIP to cancel the policy prior to the cancellation date upon written notice with or without a reason. In addition, section 4 generally is not applicable to the cancellation of or revisions to coverage that the company determines are necessary when it discovers errors in or cannot verify the information reported on the policyholder's Schedule F form or when the information reported on the Schedule F form is not supported by verifiable records. Rather section 15(j), (k), and (l) authorize the company to revise coverage and modify indemnities retroactively when it discovers misreported information or errors in reporting.

**Federal Crop Insurance Corporation Determination**

FCIC disagrees with the first requester's interpretation that section 4 of the 2018 WFRP Pilot Policy serves as an absolute limit on the ability of the AIP to cancel the WFRP policy during the initial year of insurance. Furthermore, FCIC disagrees with the first requester that there are no circumstances in which the AIP may cancel a policy for the initial year of coverage, after the initial year has concluded. Section 3 of the 2018 WFRP Pilot Policy states eligibility requirements in order to receive insurance coverage. Meeting eligibility requirements is the ongoing responsibility of the insured at all times. Anytime the AIP requests additional information from the insured to verify previously reported information and the additional information affects the insured's or farm operation's eligibility for coverage, the AIP may conclude that the producer is not eligible for the crop insurance year, whether past or present.

FCIC agrees with the second requester's interpretation that section 4(c) of the 2018 WFRP Pilot Policy allows an AIP to cancel a WFRP policy prior to the cancellation date with written notice. However, FCIC disagrees that the policy may be cancelled without reason. The Standard Reinsurance Agreement SRA states in section II(a)(3), "The Company may not cancel an eligible crop insurance contract held by a policyholder so long as the policyholder remains an eligible producer and the Company continues to write eligible crop insurance contracts within the State, except as authorized by FCIC ...." But, section 4 is not applicable when the cancellation is necessary due to the AIP's inability to determine eligibility or verify information reported by the insured.

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.