

PM-19-018

[View PDF](#)

Date

March 15, 2019

To

All Approved Insurance Providers

All Risk Management Agency Field Offices

All Other Interested Parties

From

Richard H. Flournoy, Deputy Administrator /s/ Richard H. Flournoy 3/15/2019

Subject

Multi-County Enterprise Unit (MCEU) – Correcting Unit Structure

Background

RMA released the Multi-County Enterprise Unit Pilot Endorsement (19-MCEU) and its implementation procedures in Manager's Bulletin MGR-18-017. The industry has requested clarification regarding unit structure correction when an insured does not qualify for MCEU or does not designate primary/secondary counties.

Action

The MCEU Endorsement in Section 4(c) provides that if primary or secondary counties (for either irrigation practice, if applicable) are not eligible to be part of MCEU, the provisions regarding enterprise units (EUs) in the Common Crop Insurance Policy, Basic Provisions (Basic Provisions) Section 34 will apply. Under Section 34, the insured may have elected a single EU for all the crop acreage in the county (not by irrigated practice and/or non-irrigated practice) or separate EUs by irrigated and/or non-irrigated practices (EP). Section 34 states that if an insured elected EU or EP unit structure at sales closing date, a different unit structure is only assigned if the insured does not qualify for their EU or EP election.

A Based on the terms of the MCEU Endorsement, if an insured has elected MCEU on an application or policy change form by applicable sales closing date and the insured:

(1) elected a single EU (both irrigation practices in one unit) for the crop county, but does **not** qualify for MCEU, or MCEU is not applicable because primary and secondary county designations are not made by the acreage reporting date (ARD) and such discovery is made:

(a) **on or before** the ARD:

(i) if the crop county qualifies for EU, then the unit structure will be EU on a crop county basis;

(ii) if the crop county does not qualify for EU, then BUs or OUs, whichever is reported on the acreage report and for which the insured qualifies, will apply;

(b) **after** ARD:

(i) if the crop county qualifies for EU, then the unit structure will be EU on a crop county basis;

(ii) if the crop county does not qualify for EU, then a BU structure will apply.

(2) elected an EP unit structure for both irrigation practices (a separate EU for irrigated practices and a separate EU for non-irrigated practice) for the crop county, but does **not** qualify for MCEU, or MCEU not applicable because primary and secondary county designations are not made for each irrigation practice (each EP) by the ARD and such discovery is made:

(a) **on or before** the ARD:

(i) if both irrigation practices separately meet EU qualifications, then EP applies for both irrigation practices;

(ii) if both irrigation practices do not separately meet EU qualifications, the insured may elect:

(A) one EU for both irrigation practices on a crop county basis, provided it meets the qualification for a single EU; or

(B) BUs or OUs for both irrigation practices, whichever is reported on the acreage report and for which the insured qualifies.

(b) **after** the ARD:

(i) if both irrigation practices separately meet EU qualifications, then EP applies for both irrigation practices;

(ii) if both irrigation practices do not separately meet EU qualifications, then:

(A) the unit structure will be one EU for both irrigation practices on a crop county basis, provided EU requirements are met; or

(B) if the requirements for an EU are not met, a BU structure will apply to both irrigation practices.

(3) elected EP on one irrigation practice by SCD and other irrigation practice is BU or OU and does **not** qualify for MCEU or MCEU is not applicable because primary or secondary county designation is not made on EP irrigation practice by the ARD and such discovery is made:

(a) **on or before** the ARD:

(i) if the irrigation practice that EP was elected for meets EU qualifications, then EP will apply to that irrigation practice and the other irrigation practice with the different unit structure will have the unit structure chosen by the insured for which they qualify;

(ii) if the insured does not qualify for an EU on one irrigation practice (irrigated or non-irrigated) when they elect to insure one of the irrigation practices as an EU and a different unit structure on the other irrigation practice;

(A) the unit structure for both irrigation practices will be based upon BUs or OUs, whichever is reported on the acreage report and for which the insured qualifies.

(b) **after** the ARD:

(i) if the irrigation practice that EP was elected for meets EU qualifications, then EP will apply to that practice and the other irrigation practice with the different unit structure will have the unit structure chosen by the insured for which they qualify;

(ii) if the insured does not qualify for an EU on one irrigation practice when they elect to insure one of the irrigation practices as EU and a different unit structure on the other irrigation practice, then a BU structure will apply to both irrigation practices.

B Examples:

(1) Does not qualify for MCEU because primary and secondary counties were not designated by the ARD

At SCD:

- County A: Insured elects MCEU for the crop and EP for both irrigated and non-irrigated practices.
- County B: Insured elects MCEU for the crop and EP for both irrigated and non-irrigated practices.

At ARD:

- County A: Irrigated practice separately qualifies for EP and is designated as the primary county. Non-irrigated practice separately qualifies for EP and is **not designated** as a primary or secondary county.
- County B: Irrigated practice does not separately qualify for EP and is designated as the secondary county. Non-irrigated practice separately qualifies for EP and is **not designated** as a primary or secondary county.

Result:

- The insured elected MCEU option with EP unit structure for both irrigation practices. That means the insured must designate **each** irrigation practice EP as either primary or secondary by ARD. In this example, there are two reasons the crop does not qualify for MCEU:
 - First, primary and secondary county designations were not made on the non-irrigated practice units in either county.

- Second, even if the non-irrigated practice units in both counties were designated, the non-irrigated acreage in both counties separately qualified for the EP unit structure.
- Assigning unit structure [reference A2 above]:
 - When MCEU requirements are not met, Basic Provisions Section 34 applies, and a unit structure is assigned **if** the insured does not qualify for the original EP election. If the insured qualifies for the EP election, the insured cannot change to an EU, BU, or OU unit structure.
 - In County A, each irrigation practice separately qualified for EP, so the insured retains separate EPs by irrigation practice.
 - In County B, the irrigated practice does not separately qualify for EP, so the insured has an option of one EU containing both irrigation practices or BU/OU for both irrigation practices, whichever the insured qualifies for and indicates on their acreage report.

(2) Does not qualify for MCEU and single EU is elected for the crop county

At SCD:

- County A: Insured elects MCEU and a single EU for the crop.
- County B: Insured elects MCEU and a single EU for the crop.

At ARD:

- County A qualifies for EU and is designated as the primary county.
- County B qualifies for EU and is designated as the secondary county.

Result:

- The insured elected the MCEU option with EU (includes both irrigation practices) unit structure. To qualify for MCEU, one of the contiguous counties must separately qualify for EU (primary), and the other county cannot separately qualify for EU (secondary). In this example, *both* counties separately qualified for EU unit structure, so the insured does not qualify for MCEU.
- Assigning unit structure [reference A1 above]:
 - When MCEU requirements are not met, Basic Provisions Section 34 applies, and a unit structure is assigned **if** the insured does not qualify for the original EU election. If the insured qualifies for the EU election, the insured cannot change to BU or OU unit structure.

- In County A, the crop acreage qualifies for EU, so the insured retains the EU unit structure.
- In County B, the crop acreage qualifies for EU, so the insured retains the EU unit structure.

(3) Does not qualify for MCEU and EP elected for both irrigation practices

At SCD:

- County A: Insured elects MCEU for the crop and EP for both irrigated and non-irrigated practices.
- County B: Insured elects MCEU for the crop and EP for both irrigated and non-irrigated practices.

At ARD:

- County A: Irrigated practice separately qualifies for EP and is designated as the primary county. Non-irrigated practice separately qualifies for EP and is designated as primary county.
- County B: Irrigated practice does not separately qualify for EP and is designated as the secondary county. Non-irrigated practice separately qualifies for EP and is designated as a secondary county.

Result:

- The insured elected the MCEU option with EP unit structure for both irrigation practices. That means the insured must designate **each** irrigation practice EP as either the primary or secondary county by ARD, and the secondary county for **each** irrigation practice must **not** separately qualify for the EP unit structure. For either irrigation practice to retain the MCEU, both irrigation practices must qualify for an MCEU. In this example, the non-irrigated EP in both counties separately qualified for EP unit structure, so the insured does not qualify for MCEU on either practice.
- Assigning unit structure [reference A2 above]:
 - When MCEU requirements are not met, Basic Provisions Section 34 applies, and a unit structure is assigned **if** the insured does not qualify for the original EP election. If the insured qualifies for the EP election, the insured cannot change to an EU, BU, or OU unit structure.

- In County A, each irrigation practice separately qualified for EP, so the insured retains separate EPs by irrigation practice.
- In County B, the irrigated practice does not separately qualify for EP, so the insured has an option of one EU containing both irrigation practices or BU/OU for both irrigation practices, whichever the insured qualifies for and indicates on their acreage report.

(4) Does not qualify for MCEU and EP elected on one irrigation practice

At SCD:

- County A: Insured elects EP for irrigated practices with MCEU option and OU for non-irrigated practices.
- County B: Insured elects EP for irrigated practices with MCEU option and OU for non-irrigated practices.

At ARD:

- County A: Irrigated practice does *not* separately qualify for EP and is designated as the secondary county, but there is no planted irrigated acreage (all prevented from planting). Non-irrigated practice qualifies for OU.
- County B: Irrigated practice separately qualifies for EP and is designated as the primary county. Non-irrigated practice qualifies for OU.

Result:

- One of the requirements to qualify for MCEU is that each county must have insured, planted acreage of the crop (MCEU Endorsement Section 3(b)(1)). In this example, the irrigated acreage in County A is entirely prevented from planting, so the insured does not qualify for MCEU.
- Assigning unit structure [reference A3 above]:
 - When MCEU requirements are not met, Basic Provisions Section 34 applies, and a unit structure is assigned **if** the insured does not qualify for the original EP unit structure on the practice for which it was originally elected. If the insured qualifies for the EP election, the insured cannot change that single-practice EP to BU or OU unit structure.
 - In County A, unit structure for both irrigation practices is BU or OU, whichever the insured qualifies for and identifies on their acreage report.

- In County B, the original unit structure elections are retained: an irrigated practice EP and non-irrigated OUs.

DISPOSAL DATE:

December 31, 2019, or until incorporated into procedure.