

MGR-18-005: Options for Producers Who Purchased a Crop Hail Named Peril Policy from Crop Pro Insurance Services/Guide One Insurance Company

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Date

May 25, 2018

To

All Approved Insurance Providers

All Risk Management Agency Field Offices

All Other Interested Parties

From

Martin R. Barbre, Administrator

Subject

Options for Producers Who Purchased a Crop Hail Named Peril Policy from Crop Pro Insurance Services/Guide One Insurance Company

Background

The Risk Management Agency (RMA) has evaluated the current situation related to privately-owned supplemental crop insurance policies referred to as Crop Hail Named Peril (CHNP) policies in the States of Colorado, Illinois, Indiana, Iowa, Kansas, Kentucky, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota and Wisconsin. CHNP policies were marketed and sold by Crop Pro Insurance Services, Inc. (CropPro), a managing general agency for Guide One Insurance Company (Guide One). CHNP policies are not Federally-reinsured or subsidized policies. However, these producers may have moved their Federally-reinsured Multi-Peril Crop Insurance (MPCI) policy to CropPro and Guide One Insurance Company in an effort to obtain the CHNP policy or changed their MPCI coverage in anticipation of

receiving the CHNP coverage.

In May of 2018, CropPro provided notification of 60 day cancellation to numerous producers in the states of Nebraska and Colorado on their CHNP policies for failure to obtain reinsurance. Questions have also been raised regarding reinsurance for the MPCl policies. The coverage of the Federally-reinsured MPCl crop insurance policies remains in effect and any insured losses will be paid. However, the CHNP cancellation has caused a disruption in the market place and many producers and agents have complained about the effect this cancellation has had on producers' coverage. RMA has received many requests from producers to transfer their coverage back to the original ceding approved insurance provider (AIP) who insured the MPCl policy in the 2017 reinsurance year. To protect the interest of producers potentially harmed by this action, RMA will allow those producers to transfer their MPCl policies back to their previous AIP.

The actions outlined below relate to MPCl policies only and do not affect the private CHNP policies. CHNP policies are not subsidized or reinsured by FCIC. No AIP is required to accept any liability for these CHNP policies.

Action

Producers who signed a 2018 crop year application for CHNP insurance policies from Crop Pro and Guide One, have 15 business days from the date of this letter, to take any of the following actions:

1. A producer may request that their unprocessed transfer request to Crop Pro and Guide One for the 2018 crop year be withdrawn for their MPCl policy and have their MPCl coverage returned to their previous AIP under the same terms and conditions in place for the 2017 crop year and, unless a loss has previously occurred on the MPCl policy, the AIP is required to accept these policies (AIPs have the sole discretion to determine whether to allow producers keep the new coverage elected on the transfer forms to Crop Pro and Guide One);
2. A producer with a processed transfer request for the 2018 crop year to Crop Pro and Guide One for their MPCl coverage may request to have that transfer voided and have their transfer request considered as a change in coverage form with the same terms and conditions contained in the transfer request to Crop Pro and Guide One and AIPs are required to accept these policies (AIPs have the sole

discretion to determine whether to allow producers to return to their 2017 coverage or whether the producer must remain at the new coverage elected under transfer); or

3. Continue their 2018 crop year MPCl coverage with CropPro and Guide One.

RMA reminds all agents that they have an affirmative obligation to properly document any transfers and coverage changes.

DISPOSAL DATE:

December 31, 2018