

Federal Crop Insurance Corporation Interpretation

Subject: Request dated December 22, 2022, submitted to the Risk Management Agency (RMA) for a Federal Crop Insurance Corporation (FCIC) interpretation of section 9(k) of the 2022 Whole-Farm Revenue Protection (WFRP) Pilot Policy.

Reference:

The relevant policy provision as applicable is:

9. Coverage

(k) Your coverage will begin:

- (1) For the first year you obtain coverage under this policy, your coverage will begin the later of;
 - (i) The beginning of your tax year; or*
 - (ii) 10 days after our acceptance of your application; or**
- (2) If you are a carry-over insured, the beginning of your tax year.*

Interpretation Submitted

The requestor interprets section 9(k) of the 2022 WFRP Pilot Policy to mean animals sold earlier than 10 days after acceptance of the application for the initial year of insurance are not insurable under the WFRP Policy because: (1) the animals were not part of the farm operation during any portion of the insurance period; and (2) any loss of revenue from these animals became fixed at the time of sale, meaning that the loss occurred earlier than 10 days after acceptance of the application and thus cannot be covered under the terms of the policy. Accordingly, for the initial year of insurance, if the applicant/insured certifies a particular quantity of cattle on the Intended Farm Operation Report but it is discovered by the Approved Insurance Provider (AIP) that a portion of those cattle were sold by the applicant/insured earlier than 10 days after acceptance of the application, only the unsold cattle (i.e., the cattle owned by the applicant/insured at the time coverage incepts) will be insurable under the WFRP Policy and those sold prior to that time will be excluded from coverage (“excluded cattle”). Under this scenario, the AIP is required to: (i) remove the expected revenue from the excluded cattle from the Farm Operation Report; (ii) make corresponding adjustments to Approved Revenue; (iii) exclude any gain or loss from line 1 of their Schedule F associated with the sale of the excluded cattle and/or any revenue from line 2 of their Schedule F from the sale of such excluded cattle from revenue to count by making an adjustment to revenue in computing any potential claim; and (iv) correct the animal inventory claim documents to remove the excluded cattle.

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FCIC agrees with the requestor’s interpretation that section 9(k) of the 2022 WFRP Pilot Policy excludes from coverage, any commodity (e.g., animals) sold earlier than 10 days after the application is accepted by the AIP during the initial year of insurance. FCIC also agrees with the corrections. As a result of the exclusion from coverage, the AIP must correct the Farm Operation Report and the Approved Revenue, as well as make the necessary adjustments when settling a claim.

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: January 20, 2023