

## **SUMMARY OF CHANGES FOR AREA RISK PROTECTION INSURANCE POLICY (Released July 2016)**

The Area Risk Protection Insurance Policy was re-released in July 2016 to correct a typographical error in section 31(a)(1). The policy incorrectly had the phrase “30 days” and this phrase has been corrected to “60 days.”

The following is a brief description of the changes to the Area Risk Protection Insurance Policy that will be effective for the 2017 crop year.

The provisions have been revised to incorporate changes previously made in the Ineligibility Amendment (15-Ineligibility) and the Farm Bill Amendment (15-ARPI-Farm Bill).

The following is a brief description of changes to the Area Risk Protection Insurance Policy that were made in a final rule published by FCIC on November 25, 2015, and a final rule published by FCIC on June 30, 2016. Please refer to the provisions for complete information.

Section 1 – Revised the definition of “beginning farmer or rancher.”

Sections 2(k)(2)(iii) – Revised to clarify provisions regarding reinstatement.

Section 2(k)(2)(iv) – Revised to clarify appeal rights for determinations made under section 2(k)(2)(iii)(B) and (C).

Section 5(d) – Removed the phrase “and is planted to an annual crop.”

Section 5(e) - Removed the phrase “areas of” and adding in its place the word “cumulative.”

Section 7(i)(2)(i) - Revised reference of beginning farming or rancher to reference producers who begin farming for the first time after June 1.

Section 8(e)(2) – Revised to allow consent to be given to insureds to revise their acreage reports if such consent is authorized by the Crop Provisions or Special Provisions.

Section 22(a)(1) – Added the phrase “the issuance of the notice by us, provided that a minimum of 30 days have passed from” after the phrase “interest will start to accrue on the first day of the month following.”

## 17-ARPI

(Released July 2016)

# AREA RISK PROTECTION INSURANCE POLICY (This is a continuous policy. Refer to section 2.)



Area Risk Protection Insurance (ARPI) provides protection against widespread loss of revenue or widespread loss of yield in a county. Individual farm revenues and yields are not considered under ARPI and it is possible that your individual farm may experience reduced revenue or reduced yield and not receive an indemnity under ARPI.

This insurance policy is reinsured by the FCIC under the provisions of Subtitle A of the Federal Crop Insurance Act (7 U.S.C. 1501-1524) (Act). All provisions of the policy and rights and responsibilities of the parties are specifically subject to the Act. The provisions of the policy may not be waived or varied in any way by us, our insurance agent or any other contractor or employee of ours or any employee of USDA. We will use the procedures (handbooks, underwriting rules, manuals, memoranda, and bulletins), as issued by FCIC and published on the Risk Management Agency (RMA's) Web site at <http://www.rma.usda.gov/> or a successor Web site, in the administration of this policy, including the adjustment of any loss or claim submitted hereunder. In the event that we cannot pay your loss because we are insolvent or are otherwise unable to perform our duties under our reinsurance agreement with FCIC, FCIC will become your insurer, make all decisions in accordance with the provisions of this policy, including any loss payments, and be responsible for any amounts owed. No state guarantee fund will be liable for your loss.

Throughout this policy, "you" and "your" refer to the insured shown on the accepted application and "we," "us," and "our" refer to the insurance provider providing insurance. Unless the context indicates otherwise, the use of the plural form of a word includes the singular and the singular form of the word includes the plural.

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**AGREEMENT TO INSURE:** In return for the commitment to pay a premium, and subject to all of the provisions of this policy, we agree with you to provide the insurance as stated in this policy. If there is a conflict among the Act, the regulations published at 7 CFR chapter IV, and the procedures as issued by FCIC, the order of priority is: (1) the Act; (2) the regulations; and (3) the procedures as issued by FCIC, with (1) controlling (2), etc. If there is a conflict between the policy provisions published at 7 CFR part 407 and the administrative regulations published at 7 CFR part 400, the policy provisions published at 7 CFR part 407 control. The order of priority among the policy is: (1) the Catastrophic Risk Protection Endorsement, as applicable; (2) Special Provisions; (3) actuarial documents; (4) Commodity Exchange Price Provisions; (5) the Crop Provisions; and (6) these Basic Provisions, with (1) controlling (2), etc.

## **Terms and Conditions**

### **Basic Provisions**

#### **1. Definitions.**

**Abandon** - Failure to continue to care for the crop, or providing care so insignificant as to provide no benefit to the crop.

**Acreage report** - A report required by section 8 of these Basic Provisions that contains, in addition to other required information, your report of your share of all acreage of an insured crop in the county, whether insurable or not insurable.

**Acreage reporting date** - The date contained in the actuarial documents by which you are required to submit your acreage report.

**Act** - Subtitle A of the Federal Crop Insurance Act (7 U.S.C. 1501-1524).

**Actuarial documents** - The part of the policy that contains information for the crop year which is available for public inspection in your agent's office and published on RMA's Web site, <http://www.rma.usda.gov/>, and which shows available plans of insurance, coverage levels, information needed to determine amounts of insurance, prices, premium rates, premium adjustment percentages, type (commodity types, classes, subclasses, intended uses), practice (irrigated practices, cropping practices, organic practices, intervals), insurable acreage, and other related information regarding crop insurance in the county.

**Additional coverage** - A level of coverage greater than catastrophic risk protection.

**Administrative fee** - An amount you must pay for catastrophic risk protection, and additional coverage for each crop year as specified in section 7 of these provisions, the Catastrophic Risk Protection Endorsement, or the Special Provisions, as applicable.

**Agricultural experts** - Persons who are employed by the Cooperative Extension System or the agricultural departments of universities, or other persons approved by FCIC, whose research or occupation is related to the specific crop or practice for which such expertise is sought. Persons who have a personal or financial interest in you or the crop will not qualify as an agricultural expert. For example, contracting with a person for consulting would be considered to have a financial interest and a person who is a neighbor would be considered to have a personal interest.

**Application** - The form required to be completed by you and accepted by us before insurance coverage will commence. This form must be completed and filed in your agent's office not later than the sales closing date of the initial insurance year for each crop for which insurance

coverage is requested.

**Area** - The general geographical region in which the insured acreage is located, designated generally as a county but may be a smaller or larger geographical area as specified in the actuarial documents.

**Area Revenue Protection** - A plan of insurance that provides protection against loss of revenue due to a county level production loss, a price decline, or a combination of both. This plan also includes upside harvest price protection, which increases your policy protection at the end of the insurance period if the harvest price is greater than the projected price and if there is a production loss.

**Area Revenue Protection with the Harvest Price**

**Exclusion** - A plan of insurance that provides protection against loss of revenue due to a county level production loss, price decline, or a combination of both. This plan does not provide upside harvest price protection.

**Area Risk Protection Insurance (ARPI)** - Insurance coverage based on an area, not an individual, yield or revenue amount. There are three plans of insurance available under ARPI: Area Revenue Protection, Area Revenue Protection with the Harvest Price Exclusion, and Area Yield Protection.

**Area Yield Protection** - A plan of insurance that provides protection against loss of yield due to a county level production loss. This plan does not provide protection against loss of revenue or upside harvest price protection.

**Assignment of indemnity** - A transfer of policy rights, made on our form, and effective when approved by us in writing, whereby you assign your right to an indemnity payment for the crop year only to creditors or other persons to whom you have a financial debt or other pecuniary obligation.

**Beginning farmer or rancher** - An individual who has not actively operated and managed a farm or ranch in any state, with an insurable interest in a crop or livestock as an owner-operator, landlord, tenant, or sharecropper for more than five crop years, as determined in accordance with FCIC procedures. Any crop year's insurable interest may, at your election, be excluded if earned while under the age of 18, while in full-time military service of the United States, or while in post-secondary education, in accordance with FCIC procedures. A person other than an individual may be eligible for beginning farmer or rancher benefits if there is at least one individual substantial beneficial interest holder and all individual substantial beneficial interest holders qualify as a

beginning farmer or rancher.

**Buffer zone** - A parcel of land, as designated in your organic plan, that separates commodities grown under organic practices from commodities grown under non-organic practices, and used to minimize the possibility of unintended contact by prohibited substances or organisms.

**Cancellation date** - The calendar date specified in the Crop Provisions on which coverage for the crop will automatically renew unless canceled in writing by either you or us or terminated in accordance with the policy terms.

**Catastrophic risk protection (CAT)** - Coverage equivalent to 65 percent of yield coverage and 45 percent of price coverage, unless otherwise specified in the Special Provisions, and is the minimum level of coverage offered by FCIC, as specified in the actuarial documents for the crop, type, and practice. CAT is not available with Area Revenue Protection or Area Revenue Protection with the Harvest Price Exclusion.

**Catastrophic Risk Protection Endorsement** - The part of the crop insurance policy that contains provisions of insurance that are specific to CAT.

**Certified organic acreage** - Acreage in the certified organic farming operation that has been certified by a certifying agent as conforming to organic standards in accordance with 7 CFR part 205.

**Certifying agent** - A private or governmental entity accredited by the USDA Secretary of Agriculture for the purpose of certifying a production, processing or handling operation as organic.

**Class** - A specific subgroup of commodity type.

**Code of Federal Regulations (CFR)** - The codification of general rules published in the *Federal Register* by the Executive departments and agencies of the Federal Government. Rules published in the *Federal Register* by FCIC are contained in 7 CFR chapter IV. The full text of the CFR is available in electronic format at <http://ecfr.gpoaccess.gov/>.

**Commodity** - An agricultural good or product that has economic value.

**Commodity Exchange Price Provisions (CEPP)** - A part of the policy that is used for crops for which ARPI is available, unless otherwise specified. This document includes the information necessary to derive the projected and harvest price for the insured crop, as applicable.

**Commodity type** - A specific subgroup of a commodity having a characteristic or set of characteristics distinguishable from other subgroups of the same commodity.

**Consent** - Approval in writing by us allowing you to take a specific action.

**Contract** - (See "Policy")

**Contract change date** - The calendar date, as specified in the Crop Provisions, by which changes to the policy, if any, will be made available in accordance with section 3 of these Basic Provisions.

**Conventional farming practice** - A system or process that is necessary to produce a commodity, excluding organic farming practices.

**Cooperative Extension System** - A nationwide network consisting of a state office located at each state's land-

grant university, and local or regional offices. These offices are staffed by one or more agricultural experts who work in cooperation with the National Institute of Food and Agriculture, and who provide information to agricultural producers and others.

**County** - Any county, parish, political subdivision of a state, or other area specified on the actuarial documents shown on your accepted application, including acreage in a field that extends into an adjoining county if the county boundary is not readily discernible.

**Cover crop** - A crop generally recognized by agricultural experts as agronomically sound for the area for erosion control or other purposes related to conservation or soil improvement. A cover crop may be considered to be a second crop.

**Credible data** - Data of sufficient quality and quantity to be representative of the county.

**Crop** - The insurable commodity as defined in the Crop Provisions.

**Cropping practice** - A method of using a combination of inputs such as fertilizer, herbicide, and pesticide, and operations such as planting, cultivation, etc. to produce the insured crop. The insurable cropping practices are specified in the actuarial documents.

**Crop Provisions** - The part of the policy that contains the specific provisions of insurance for each insured crop.

**Crop year** - The period within which the insured crop is normally grown and designated by the calendar year in which the crop is normally harvested.

**Days** - Calendar days.

**Delinquent debt** - Has the same meaning as the term defined in 7 CFR part 400, subpart U.

**Dollar amount of insurance per acre** - The guarantee calculated by multiplying the expected county yield by the projected price and by the protection factor. Your dollar amount of insurance per acre is shown on your Summary of Protection. Following release of the harvest price, your dollar amount of insurance may increase if Area Revenue Protection was purchased and the harvest price is greater than the projected price.

**Double crop** - Producing two or more crops for harvest on the same acreage in the same crop year.

**Expected county revenue** - The expected county yield multiplied by the projected price.

**Expected county yield** - The yield, established in accordance with section 15, contained in the actuarial documents on which your coverage for the crop year is based.

**FCIC** - The Federal Crop Insurance Corporation, a wholly owned corporation within USDA.

**Final county revenue** - The revenue determined by multiplying the final county yield by the harvest price with the result used to determine whether an indemnity will be due for Area Revenue Protection and Area Revenue Protection with the Harvest Price Exclusion, and released by FCIC at a time specified in the Crop Provisions.

**Final county yield** - The yield, established in accordance with section 15, for each insured crop, type, and practice, used to determine whether an indemnity will be due for Area Yield Protection, and released by FCIC at a time specified in the Crop Provisions.

**Final planting date** - The date contained in the actuarial

documents for the insured crop by which the crop must be planted in order to be insured.

**Final policy protection** - For Area Revenue Protection only, the amount calculated in accordance with section 12(e).

**First insured crop** - With respect to a single crop year and any specific crop acreage, the first instance that a commodity is planted for harvest or prevented from being planted and is insured under the authority of the Act. For example, if winter wheat that is not insured is planted on acreage that is later planted to soybeans that are insured, the first insured crop would be soybeans. If the winter wheat was insured, it would be the first insured crop.

**FSA** - The Farm Service Agency, an agency of the USDA, or a successor agency.

**FSA farm number** - The number assigned to the farm by the local FSA office.

**Generally recognized** - When agricultural experts or organic agricultural experts, as applicable, are aware of the production method or practice and there is no genuine dispute regarding whether the production method or practice allows the crop to make normal progress toward maturity.

**Good farming practices** - The production methods utilized to produce the insured crop, type, and practice and allow it to make normal progress toward maturity, which are: (1) for conventional or sustainable farming practices, those generally recognized by agricultural experts for the area; or (2) for organic farming practices, those generally recognized by organic agricultural experts for the area or contained in the organic plan. We may, or you may request us to, contact FCIC to determine whether or not production methods will be considered to be "good farming practices."

**Harvest price** - A price determined in accordance with the CEPP and used to determine the final county revenue.

**Household** - A domestic establishment including the members of a family (parents, brothers, sisters, children, spouse, grandchildren, aunts, uncles, nieces, nephews, first cousins, or grandparents, related by blood, adoption or marriage, are considered to be family members) and others who live under the same roof.

**Insurable interest** - Your percentage of the insured crop that is at financial risk.

**Insurable loss** - Damage for which coverage is provided under the terms of your policy, and for which you accept an indemnity payment.

**Insurance provider** - A private insurance company that has been approved by FCIC to provide insurance coverage to producers participating in programs authorized by the Act.

**Insured** - The named person as shown on the application accepted by us. This term does not extend to any other person having an insurable interest in the crop (e.g., a partnership, landlord, or any other person) unless specifically indicated on the accepted application.

**Insured crop** - The crop in the county for which coverage is available under your policy as shown on the application accepted by us.

**Intended use** - The expected end use or disposition of the commodity at the time the commodity is reported.

**Interval** - A period of time designated in the actuarial

documents.

**Irrigated practice** - A method of producing a crop by which water, from an adequate water source, is artificially applied in sufficient amounts by appropriate and adequate irrigation equipment and facilities and at the proper times necessary to produce at least the (1) yield expected for the area; (2) yield used to establish the production guarantee or amount of insurance/coverage on the irrigated acreage planted to the commodity; or (3) producer's established approved yield, as applicable. Acreage adjacent to water, such as but not limited to a pond, lake, river, stream, creek or brook, shall not be considered irrigated based solely on the proximity to the water. The insurable irrigation practices are specified in the actuarial documents.

**Liability** - (See "Policy protection.")

**Limited resource farmer** - Has the same meaning as the term defined by USDA at <http://www.lfctool.sc.egov.usda.gov> or a successor Web site.

**Loss limit factor** - Unless otherwise specified in the Special Provisions a factor of .18 is used to calculate the payment factor. This factor represents the percentage of the expected county yield or expected county revenue at which no additional indemnity amount is payable. For example, if the expected county yield is 100 bushels and the final county yield is 18 bushels, then no additional indemnity is due even if the yield falls below 18 bushels. The total indemnity will never be more than 100 percent of the final policy protection.

**NASS** - National Agricultural Statistics Service, an agency within USDA, or its successor, that publishes the official United States Government yield estimates.

**Native sod** - Acreage that has no record of being tilled (determined in accordance with information collected and maintained by an agency of the USDA or other verifiable records that you provide and are acceptable to us) for the production of an annual crop on or before February 7, 2014, and on which the plant cover is composed principally of native grasses, grass-like plants, forbs, or shrubs suitable for grazing and browsing.

**Offset** - The act of deducting one amount from another amount.

**Organic agricultural experts** - Persons who are employed by the following organizations: Appropriate Technology Transfer for Rural Areas, Sustainable Agriculture Research and Education or the Cooperative Extension System, the agricultural departments of universities, or other persons approved by FCIC, whose research or occupation is related to the specific organic crop or practice for which such expertise is sought.

**Organic crop** - A commodity that is organically produced consistent with section 2103 of the Organic Foods Act of 1990 (7 U.S.C. 6502).

**Organic farming practice** - A system of plant production practices used to produce an organic crop that is approved by a certifying agent in accordance with 7 CFR part 205.

**Organic plan** - A written plan, in accordance with the National Organic Program published in 7 CFR part 205, that describes the organic farming practices that you and a certifying agent agree upon annually or at such other



times as prescribed by the certifying agent.

**Organic practice** - The insurable organic farming practices specified in the actuarial documents.

**Organic standards** - Standards in accordance with the Organic Foods Production Act of 1990 (7 U.S.C. 6501 et seq.) and 7 CFR part 205.

**Payment factor** - A factor no greater than 1.0 used to determine the amount of indemnity to be paid in accordance with section 12(g).

**Perennial crop** - A plant, bush, tree or vine crop that has a life span of more than one year.

**Person** - An individual, partnership, association, corporation, estate, trust, or other legal entity, and wherever applicable, a State or a political subdivision or agency of a State. "Person" does not include the United States Government or any agency thereof.

**Planted acreage** - Except as otherwise specified in the Special Provisions, land in which seed, plants, or trees have been placed, appropriate for the insured crop and planting method, at the correct depth, into a seedbed that has been properly prepared for the planting method and production practice in accordance with good farming practices for the area.

**Policy** - The agreement between you and us to insure a commodity and consisting of the accepted application, these Basic Provisions, the Crop Provisions, the Special Provisions, the CEPP, other applicable endorsements or options, the actuarial documents for the insured commodity, the CAT Endorsement, if applicable, and the applicable regulations published in 7 CFR chapter IV. Insurance for each commodity in each county will constitute a separate policy.

**Policy protection** - The liability amount calculated in accordance with section 6(f) unless otherwise specified in the Special Provisions.

**Practice** - Production methodologies used to produce the insured crop consisting of unique combinations of irrigated practice, cropping practice, organic practice, and interval as shown on the actuarial documents as insurable.

**Premium billing date** - The earliest date upon which you will be billed for insurance coverage based on your acreage report. The premium billing date is contained in the actuarial documents.

**Production report** - A written record showing your annual production in accordance with section 8. The report contains yield information for the current year, including acreage and production. This report must be supported by written verifiable records from a warehouseman or buyer of the insured crop, by measurement of farm-stored production, or by other records of production approved by us in accordance with FCIC approved procedures.

**Production reporting date** - The date contained in the actuarial documents by which you are required to submit your production report.

**Prohibited substance** - Any biological, chemical, or other agent that is prohibited from use or is not included in the organic standards for use on any certified organic, transitional or buffer zone acreage. Lists of such substances are contained at 7 CFR part 205.

**Projected price** - A price for each crop, type, and practice as shown in the actuarial documents, as applicable, determined in accordance with the CEPP, Special

Provisions or the Crop Provisions, as applicable.

**Protection factor (PF)** - The percentage you choose that is used to calculate the dollar amount of insurance per acre and policy protection.

**Replanted crop** - The same commodity replanted on the same acreage as the first insured crop for harvest in the same crop year. ARPI does not have a replant provision, therefore, it is only used for first and second crop determinations.

**RMA** - Risk Management Agency, an agency within USDA.

**RMA's Web site** - A Web site hosted by RMA and located at <http://www.rma.usda.gov/> or a successor Web site.

**Sales closing date** - The date contained in the actuarial documents by which an application must be filed and the last date by which you may change your crop insurance coverage for a crop year.

**Second crop** - With respect to a single crop year, the next occurrence of planting any commodity for harvest following a first insured crop on the same acreage. The second crop may be the same or a different commodity as the first insured crop, except the term does not include a replanted crop. A cover crop, planted after a first insured crop and planted for the purpose of haying, grazing or otherwise harvesting in any manner or that is hayed or grazed during the crop year, or that is otherwise harvested is considered to be a second crop. A cover crop that is covered by FSA's noninsured crop disaster assistance program (NAP) or receives other USDA benefits associated with forage crops will be considered as planted for the purpose of haying, grazing or otherwise harvesting. A crop meeting the conditions stated herein will be considered to be a second crop regardless of whether or not it is insured.

**Share** - Your insurable interest in the insured crop as an owner, operator, or tenant.

**Special Provisions** - The part of the policy that contains specific provisions of insurance for each insured crop that may vary by geographic area, and is available for public inspection in your agent's office and published on RMA's Web site.

**State** - The state shown on your accepted application.

**Subclass** - A specific subgroup of class.

**Subsidy** - The portion of the total premium that FCIC will pay in accordance with the Act.

**Subsidy factor** - The percentage of the total premium paid by FCIC as a subsidy.

**Substantial beneficial interest** - An interest held by any person of at least 10 percent in you (e.g., there are two partnerships that each have a 50 percent interest in you and each partnership is made up of two individuals, each with a 50 percent share in the partnership. In this case, each individual would be considered to have a 25 percent interest in you, and both the partnerships and the individuals would have a substantial beneficial interest in you. The spouses of the individuals would not be considered to have a substantial beneficial interest unless the spouse was one of the individuals that made up the partnership. However, if each partnership is made up of six individuals with equal interests, then each would only have an 8.33 percent interest in you and although the partnership would still have a substantial beneficial

interest in you, the individuals would not for the purposes of reporting in section 2). The spouse of any individual applicant or individual insured will be presumed to have a substantial beneficial interest in the applicant or insured unless the spouses can prove they are legally separated or otherwise legally separate under the applicable state dissolution of marriage laws. Any child of an individual applicant or individual insured will not be considered to have a substantial beneficial interest in the applicant or insured unless the child has a separate legal interest in such person.

**Summary of protection** - Our statement to you specifying the insured crop, dollar amount of insurance per acre, policy protection, premium and other information obtained from your accepted application, acreage report, and the actuarial documents.

**Sustainable farming practice** - A system or process for producing a commodity, excluding organic farming practices, that is necessary to produce the crop and is generally recognized by agricultural experts for the area to conserve or enhance natural resources and the environment.

**Tenant** - A person who rents land from another person for a share of the crop or a share of the proceeds of the crop (see the definition of "share" above).

**Termination date** - The calendar date contained in the Crop Provisions upon which your insurance ceases to be in effect because of nonpayment of any amount due us under the policy.

**Tilled** - The termination of existing plants by plowing, disking, burning, application of chemicals, or by other means to prepare acreage for the production of an annual crop.

**Total premium** - The amount of premium before subsidy, calculated in accordance with section 7(e)(1).

**Transitional acreage** - Acreage on which organic farming practices are being followed that does not yet qualify to be designated as organic acreage.

**Trigger revenue** - The revenue amount calculated in accordance with section 12(b).

**Trigger yield** - The yield amount calculated in accordance with section 12(c).

**Type** - Categories of the insured crop consisting of unique combinations of commodity type, class, subclass, and intended use as shown on the actuarial documents as insurable.

**Upside harvest price protection** - Coverage provided automatically under the Area Revenue Protection plan of insurance. This coverage increases your final policy protection when the harvest price is greater than the projected price. This coverage is not available under either the Area Revenue Protection with the Harvest Price Exclusion or the Area Yield Protection plans of insurance.

**USDA** - United States Department of Agriculture.

**Verifiable records** - Has the same meaning as the term defined in 7 CFR part 400, subpart G.

**Void** - When the policy is considered not to have existed for a crop year.

**Volatility factor** - A measure of variation of price over time found in the actuarial documents.

## 2. Life of Policy, Cancellation, and Termination.

(a) This is a continuous policy and will remain in effect for

each crop year following the acceptance of the original application until canceled by you in accordance with the terms of the policy or terminated by operation of the terms of the policy or by us. In accordance with section 3, FCIC may change the coverage provided from year to year.

(b) The following information must be included on your application for insurance or your application will not be accepted and no coverage will be provided:

- (1) Your election of Area Revenue Protection, Area Revenue Protection with the Harvest Price Exclusion, or Area Yield Protection;
- (2) The crop with all type and practice combinations insured as shown on the actuarial documents;
- (3) Your elected coverage level;
- (4) Your elected protection factor;
- (5) Identification numbers for you as follows:
  - (i) You must include your social security number (SSN) if you are an individual (if you are an individual applicant operating as a business, you must provide an employer identification number (EIN) and you must also provide your SSN); or
  - (ii) You must include your EIN if you are a person other than an individual;
- (6) Identification numbers for all persons who have a substantial beneficial interest in you:
  - (i) The SSN for individuals; or
  - (ii) The EIN for persons other than individuals and the SSNs for all individuals that comprise the person with the EIN if such individuals also have a substantial beneficial interest in you; and
- (7) All other information required on the application to insure the crop.

(c) With respect to SSNs or EINs required on your application:

- (1) Your application will not be accepted and no insurance will be provided for the year of application if the application does not contain your SSN or EIN. If your application contains an incorrect SSN or EIN for you, your application will be considered not to have been accepted, no insurance will be provided for the year of application and for any subsequent crop years, as applicable, and such policies will be void if:
  - (i) Such number is not corrected by you; or
  - (ii) You correct the SSN or EIN but:
    - (A) You cannot prove that any error was inadvertent (Simply stating the error was inadvertent is not sufficient to prove the error was inadvertent); or
    - (B) It is determined that the incorrect number would have allowed you to obtain disproportionate benefits under the crop insurance program, you are determined to be ineligible for insurance or you could avoid an obligation or requirement under any State or Federal law;
- (2) With respect to persons with a substantial beneficial interest in you:

- (i) The insurance coverage for all crops included on your application will be reduced proportionately by the percentage interest in you of persons with a substantial beneficial interest in you (presumed to be 50 percent for spouses of individuals) if the SSNs or EINs of such persons are included on your application, the SSNs or EINs are correct, and the persons with a substantial beneficial interest in you are ineligible for insurance;
- (ii) Your policies for all crops included on your application, and for all applicable crop years, will be void if the SSN or EIN of any person with a substantial beneficial interest in you is incorrect or is not included on your application and:
  - (A) Such number is not corrected or provided by you, as applicable;
  - (B) You cannot prove that any error or omission was inadvertent (Simply stating the error or omission was inadvertent is not sufficient to prove the error or omission was inadvertent); or
  - (C) Even after the correct SSN or EIN is provided by you, it is determined that the incorrect or omitted SSN or EIN would have allowed you to obtain disproportionate benefits under the crop insurance program, the person with a substantial beneficial interest in you is determined to be ineligible for insurance, or you or the person with a substantial beneficial interest in you could avoid an obligation or requirement under any State or Federal law; or
- (iii) Except as provided in sections 2(c)(2)(ii)(B) and (C), your policies will not be voided if you subsequently provide the correct SSN or EIN for persons with a substantial beneficial interest in you and the persons are eligible for insurance;
- (d) When any of your policies are void under section 2(c):
  - (1) You must repay any indemnity that may have been paid for all applicable crops and crop years;
  - (2) Even though the policies are void, you will still be required to pay an amount equal to 20 percent of the premium that you would otherwise be required to pay; and
  - (3) If you previously paid premium or administrative fees, any amount in excess of the amount required in section 2(d)(2) will be returned to you.
- (e) Notwithstanding any of the provisions in this section, you may be subject to civil, criminal or administrative sanctions if you certify to an incorrect SSN or EIN or any other information under this policy.
- (f) If any of the information regarding persons with a substantial beneficial interest in you, changes:
  - (1) After the sales closing date for the previous crop year, you must revise your application by the sales closing date for the current crop year to reflect the correct information; or
  - (2) Less than 30 days before the sales closing date for the current crop year, you must revise your application by the sales closing date for the next crop year;
- (3) And you fail to provide the required revisions, the provisions in section 2(c)(2) will apply; and
- (g) If you are, or a person with a substantial beneficial interest in you is, not eligible to obtain an SSN or EIN, whichever is required, you must request an assigned number for the purposes of this policy from us:
  - (1) A number will be provided only if you can demonstrate you are, or a person with a substantial beneficial interest in you is, eligible to receive Federal benefits;
  - (2) If a number cannot be provided for you in accordance with section (2)(g)(1), your application will not be accepted; or
  - (3) If a number cannot be provided for any person with a substantial beneficial interest in you in accordance with section 2(g)(1), the amount of coverage for all crops on the application will be reduced proportionately by the percentage interest of such person in you.
- (h) After acceptance of the application, you may not cancel this policy for the initial crop year unless you choose to insure the entire crop under another Federally reinsured plan of insurance with the same insurance provider on or before the sales closing date. After the first year, the policy will continue in force for each succeeding crop year unless canceled, voided or terminated as provided in this section.
- (i) Either you or we may cancel this policy after the initial crop year by providing written notice to the other on or before the cancellation date shown in the Crop Provisions.
- (j) Any amount due to us for any policy authorized under the Act will be offset from any indemnity due you for this or any other crop insured with us under the authority of the Act.
  - (1) Even if your claim has not yet been paid, you must still pay the premium and administrative fee on or before the termination date for you to remain eligible for insurance.
  - (2) If we offset any amount due us from an indemnity owed to you, the date of payment for the purpose of determining whether you have a delinquent debt will be the date FCIC publishes the final county yield for the applicable crop year.
- (k) A delinquent debt for any policy will make you ineligible to obtain crop insurance authorized under the Act for any subsequent crop year and result in termination of all policies in accordance with section 2(k)(2).
  - (1) With respect to ineligibility:
    - (i) Ineligibility for crop insurance will be effective on:
      - (A) The date that a policy was terminated in accordance with section 2(k)(2) for the crop for which you failed to pay premium, an administrative fee, or any related interest owed, as applicable;
      - (B) The payment due date contained in any notification of indebtedness for overpaid



- indemnity and any other amounts due, including but not limited to, premium billed with a due date after the termination date for the crop year in which premium is earned, if you fail to pay the amount owed, including any related interest owed, as applicable, by such due date; or
- (C) The termination date for the crop year prior to the crop year in which a scheduled payment is due under a written payment agreement if you fail to pay the amount owed by any payment date in any agreement to pay the debt.
- (ii) If you are ineligible and a policy has been terminated in accordance with section 2(k)(2), you will not receive any indemnity, and such ineligibility and termination of the policy may affect your eligibility for benefits under other USDA programs. Any indemnity that may be owed for the policy before it has been terminated will remain owed to you, but may be offset in accordance with section 2(j), unless your policy was terminated in accordance with sections 2(k)(2)(i)(A), (B), or (D).
- (2) With respect to termination:
- (i) Termination will be effective on:
- (A) For a policy with unpaid administrative fees or premiums, the termination date immediately subsequent to the premium billing date for the crop year (For policies for which the sales closing date is prior to the termination date, such policies will terminate for the current crop year even if insurance attached prior to the termination date. Such termination will be considered effective as of the sales closing date and no insurance will be considered to have attached for the crop year and no indemnity will be owed);
- (B) For a policy with other amounts due, including but not limited to, premium billed with a due date after the termination date for the crop year in which premium is earned, the termination date immediately following the date you have a delinquent debt (For policies for which the sales closing date is prior to the termination date, such policies will terminate for the current crop year even if insurance attached prior to the termination date. Such termination will be considered effective as of the sales closing date and no insurance will be considered to have attached for the crop year and no indemnity will be owed);
- (C) For all other policies that are issued by us under the authority of the Act, the termination date that coincides with the termination date for the policy with the delinquent debt, or if there is no coincidental termination date, the termination date immediately following the date you become ineligible; or
- (D) For execution of a written payment agreement and failure to make any scheduled payment, the termination date for the crop year prior to the crop year in which you failed to make the scheduled payment (for this purpose only, the crop year will start the day after the termination date and end on the next termination date, e.g., if the termination date is November 30 and you fail to make a payment on November 15, 2011, your policy will terminate on November 30, 2010, for the 2011 crop year).
- (ii) For all policies terminated under section 2(k)(2)(i)(A), (B), or (D), any indemnities paid subsequent to the termination date must be repaid.
- (iii) Once the policy is terminated, it cannot be reinstated for the current crop year unless:
- (A) The termination was in error;
- (B) The Administrator of the Risk Management Agency, at his or her sole discretion, determines that the following conditions are met:
- (1) In accordance with 7 CFR part 400, subpart U, and FCIC issued procedures, you provide documentation that your failure to pay your debt is due to an unforeseen or unavoidable event or an extraordinary weather event that created an impossible situation for you to make timely payment;
- (2) You remit full payment of the delinquent debt owed to us or FCIC with your request submitted in accordance with section 2(k)(2)(iii)(B)(3); and
- (3) You submit a written request for reinstatement of your policy to us no later than 60 days after the termination date or the missed payment date of a previously executed written payment agreement, or in the case of overpaid indemnity or any amount that became due after the termination date, the due date specified in the notice to you of the amount due, if applicable.
- (i) If authorization for reinstatement, as defined in 7 CFR part 400, subpart U, is granted, your policies will be reinstated effective at the beginning of the crop year for which you were determined ineligible, and you will be

- entitled to all applicable benefits under such policies, provided you meet all eligibility requirements and comply with the terms of the policy; and
- (ii) There is no evidence of fraud or misrepresentation; or
- (C) We determine that, in accordance with 7 CFR part 400, subpart U, and FCIC issued procedures, the following are met:
- (1) You can demonstrate:
- (i) You made timely payment for the amount of premium owed but you inadvertently omitted some small amount, such as the most recent month's interest or a small administrative fee;
- (ii) The amount of the payment was clearly transposed from the amount that was otherwise due (For example, you owed \$892 but you paid \$829); or
- (iii) You timely made the full payment of the amount owed but the delivery of that payment was delayed, and was postmarked no more than seven calendar days after the termination date or the missed payment date of a previously executed written payment agreement, or in the case of overpaid indemnity or any amount that became due after the termination date, the due date specified in a notice to you of an amount due, as applicable;
- (2) You remit full payment of the delinquent debt owed to us; and
- (3) You submit a written request for reinstatement of your policy to us in accordance with 7 CFR part 400, subpart U, and applicable procedures no later than 30 days after the termination date or the missed payment date of a previously executed written payment agreement, or in the case of overpaid indemnity or any amount that became due after the termination date, the due date specified in the notice to you of the amount due, if applicable; and
- (4) If authorization for reinstatement, as defined in 7 CFR part 400, subpart U, is granted, your policies will be reinstated effective at the beginning of the crop year for which you were determined ineligible, and you will be entitled to all applicable benefits under such policies, provided you meet all eligibility requirements and comply with the terms of the policy; and
- (5) There is no evidence of fraud or misrepresentation.
- (iv) A determination made under:
- (A) Section 2(k)(2)(iii)(B) may only be appealed to the National Appeals Division in accordance with 7 CFR part 11; and
- (B) Section 2(k)(2)(iii)(C) may only be appealed in accordance with section 23.
- (3) To regain eligibility, you must:
- (i) Repay the delinquent debt in full;
- (ii) Execute a written payment agreement and make payments in accordance with the agreement (we will not enter into a written payment agreement with you if you have previously failed to make a scheduled payment under the terms of any other payment agreement with us or any other insurance provider); or
- (iii) Have your debts discharged in bankruptcy.
- (4) If you are determined to be ineligible under section 2(k), persons with a substantial beneficial interest in you may also be ineligible until you become eligible again.
- (I) In cases where there has been a death, disappearance, judicially declared incompetence, or dissolution of any insured person:
- (1) If any married insured dies, disappears, or is judicially declared incompetent, the insured on the policy will automatically convert to the name of the spouse if:
- (i) The spouse was included on the policy as having a substantial beneficial interest in the insured; and
- (ii) The spouse has a share of the crop.
- (2) The provisions in section 2(l)(3) will only be applicable if:
- (i) Any partner, member, shareholder, etc., of an insured entity dies, disappears, or is judicially declared incompetent, and such event automatically dissolves the entity; or
- (ii) An individual whose estate is left to a beneficiary other than a spouse or left to the spouse and the criteria in section 2(l)(1) are not met, dies, disappears, or is judicially declared incompetent.
- (3) If the death, disappearance, or judicially declared incompetence occurred:
- (i) More than 30 days before the cancellation date, the policy is automatically canceled as of the cancellation date and a new application must be submitted; or
- (ii) Thirty days or less before the cancellation date, or on after the cancellation date, the policy will continue in effect through the crop year immediately following the cancellation date and be automatically canceled as of the cancellation date immediately following the

end of the insurance period for the crop year, unless canceled by the cancellation date prior to the start of the insurance period:

- (A) A new application for insurance must be submitted on or before the sales closing date for coverage for the subsequent crop year; and
  - (B) Any indemnity will be paid to the person or persons determined to be beneficially entitled to the payment provided such person or persons comply with all policy provisions and timely pays the premium.
- (4) If any insured entity is dissolved for reasons other than death, disappearance, or judicially declared incompetence:
- (i) Before the cancellation date, the policy is automatically canceled as of the cancellation date and a new application must be submitted; or
  - (ii) On or after the cancellation date, the policy will continue in effect through the crop year immediately following the cancellation date and be automatically canceled as of the cancellation date immediately following the end of the insurance period for the crop year, unless canceled by the cancellation date prior to the start of the insurance period.
- (A) A new application for insurance must be submitted on or before the sales closing date for coverage for the subsequent crop year; and
  - (B) Any indemnity will be paid to the person or persons determined to be beneficially entitled to the payment provided such person or persons comply with all policy provisions and timely pays the premium.
- (5) If section 2(k)(2) or (4) applies, a remaining member of the insured person or the beneficiary is required to report to us the death, disappearance, judicial incompetence, or other event that causes dissolution of the entity not later than the next cancellation date, except if section 2(k)(3)(ii) applies, notice must be provided by the cancellation date for the next crop year.
- (m) We may cancel your policy if no premium is earned for 3 consecutive years.
- (n) The cancellation and termination dates are contained in the Crop Provisions.
- (o) Any person may sign any document relative to crop insurance coverage on behalf of any other person covered by such a policy, provided that the person has a properly executed power of attorney or such other legally sufficient document authorizing such person to sign. You are still responsible for the accuracy of all information provided on your behalf and may be subject to the consequences in section 8(g), and any other consequences, including administrative, criminal or civil sanctions, if any information has been misreported.
- (p) If voidance, cancellation or termination of insurance coverage occurs for any reason, including but not

limited to indebtedness, suspension, debarment, disqualification, cancellation by you or us or your policy is voided due to a conviction of the controlled substance provisions of the Food Security Act of 1985 or Title 21, a new application must be filed for the crop.

- (1) Insurance coverage will not be provided if you are ineligible under the contract or under any Federal statute or regulation.
- (2) Since applications for crop insurance cannot be accepted after the sales closing date, if you make any payment, or you otherwise become eligible, after the sales closing date, you cannot apply for insurance until the next crop year. For example, for the 2012 crop year, if crop A, with a termination date of October 31, 2012, and crop B, with a termination date of March 15, 2013, are insured and you do not pay the premium for crop A by the termination date, you are ineligible for crop insurance as of October 31, 2012, and crop A's policy is terminated as of that date. Crop B's policy does not terminate until March 15, 2013, and an indemnity for the 2012 crop year may still be owed. You will not be eligible to apply for crop insurance for any crop until after the amounts owed are paid in full or have your debts discharged in bankruptcy.

### **3. Contract Changes.**

- (a) We may change the terms and conditions of this policy from year to year.
- (b) Any changes in policy provisions, the CEPP, amounts of insurance, expected county yields, premium rates, and program dates can be viewed on RMA's Web site not later than the contract change date contained in the Crop Provisions. We may only revise this information after the contract change date to correct obvious errors (e.g., the expected county revenue for a county was announced at \$2,500 per acre instead of \$250 per acre).
- (c) After the contract change date, all changes specified in section 3(b) will also be available upon request from your crop insurance agent.
- (d) Not later than 30 days prior to the cancellation date for the insured crop you will be provided, in accordance with section 20, a copy of the changes to the Basic Provisions, Crop Provisions, CEPP, if applicable, and Special Provisions.
- (e) Acceptance of all the changes will be conclusively presumed in the absence of notice from you to change or cancel your insurance coverage.

### **4. Insured Crop.**

- (a) The insured crop will be that shown on your accepted application and as specified in the Crop Provisions or Special Provisions, and must be grown on insurable acreage.
- (b) A crop which will NOT be insured will include, but will not be limited to, any crop:
  - (1) That is not grown on planted acreage;
  - (2) That is a type not generally recognized for the area;
  - (3) For which the information necessary for insurance (projected price, expected county

yield, premium rate, etc.) is not included in the actuarial documents;

- (4) That is a volunteer crop;
- (5) Planted following the same crop on the same acreage and the first planting of the crop has been harvested in the same crop year unless specifically permitted by the Crop Provisions or the Special Provisions (For example, the second planting of grain sorghum would not be insurable if grain sorghum had already been planted and harvested on the same acreage during the crop year);
- (6) That is planted for experimental purposes; or
- (7) That is used solely for wildlife protection or management. If the lease states that specific acreage must remain unharvested, only that acreage is uninsurable. If the lease specifies that a percentage of the crop must be left unharvested, your share will be reduced by such percentage.

- (c) Although certain policy documents may state that a specific crop, type, or practice is not insurable, it does not mean all other crops, types, or practices are insurable. To be insurable, the use of such crop, type, or practice must be a good farming practice, have been widely used in the county, and meet all the conditions in the Basic Provisions, the Crop Provisions, Special Provisions, and the actuarial documents.

#### **5. Insurable Acreage.**

- (a) Except as provided in section 5(c), the insurable acreage is all of the acreage of the insured crop for which a premium rate is provided by the actuarial documents, in which you have a share, and which is planted in the county listed on your accepted application. The dollar amount of insurance per acre, amount of premium, and indemnity will be calculated separately for each crop, type, and practice shown on the actuarial documents.

- (1) The acreage must have been planted and harvested (grazing is not considered harvested for the purposes of this section) or insured (excluding pasture, rangeland, and forage, vegetation and rainfall insurance or any other specific policy listed in the Special Provisions) in at least one of the three previous crop years unless:

- (i) Such acreage was not planted:
  - (A) In at least two of the three previous crop years to comply with any other USDA program;
  - (B) Due to the crop rotation, the acreage would not have been planted in the previous three years (e.g., a crop rotation of corn, soybeans, and alfalfa; and the alfalfa remained for four years before the acreage was planted to corn again); or
  - (C) Because a perennial crop was on the acreage in at least two of the previous three crop years;
- (ii) Such acreage constitutes five percent or less

of the insured planted acreage of the crop, type and practice as shown on the actuarial documents in the county;

- (iii) Such acreage was not planted or harvested because it was pasture or rangeland and the crop to be insured is also pasture or rangeland; or
  - (iv) The Crop Provisions or Special Provisions specifically allow insurance for such acreage.
- (b) Only the acreage planted to the insured crop on or before the final planting date, as shown in the actuarial documents, and reported by the acreage reporting date and physically located in the county shown on your accepted application will be insured.
  - (c) We will not insure any acreage (and any uninsured acreage and production from uninsured acreage will not be included for the purposes of establishing the final county yield):
    - (1) Where the crop was destroyed or put to another use during the crop year for the purpose of conforming with, or obtaining a payment under, any other program administered by the USDA;
    - (2) Where we determine you have failed to follow good farming practices for the insured crop;
    - (3) Where the conditions under which the crop is planted are not generally recognized for the area (for example, where agricultural experts determine that planting a non-irrigated corn crop after a failed small grain crop on the same acreage in the same crop year is not appropriate for the area);
    - (4) Of a second crop, if you elect not to insure such acreage when an indemnity for a first insured crop may be subject to reduction in accordance with the provisions of section 13 and you intend to collect an indemnity payment that is equal to 100 percent of the insurable loss for the first insured crop acreage. This election must be made for all first insured crop acreage that may be subject to an indemnity reduction if the first insured crop is insured under this policy, or on a first insured crop unit basis if the first insured crop is not insured under this policy (e.g., if the first insured crop under this policy consists of 40 acres, or the first insured crop unit insured under another policy contains 40 planted acres, then no second crop can be insured on any of the 40 acres). In this case:
      - (i) If the first insured crop is insured under ARPI, you must provide written notice to us of your election not to insure acreage of a second crop by the acreage reporting date for the second crop if it is insured under ARPI, or before planting the second crop if it is insured under any other policy;
      - (ii) If the first insured crop is not insured under ARPI, at the time the first insured crop acreage is released by us or another insurance provider who insures the first insured crop (if no acreage in the first insured crop unit is released, this election must be made by the earlier of acreage reporting date

for the second crop or when you sign the claim for the first insured crop);

- (iii) If you fail to provide a notice as specified in section 5(c)(5)(i) or 5(c)(5)(ii), the second crop acreage will be insured in accordance with applicable policy provisions and you must repay any overpaid indemnity for the first insured crop;
  - (iv) In the event a second crop is planted and insured with a different insurance provider, or planted and insured by a different person, you must provide written notice to each insurance provider that a second crop was planted on acreage on which you had a first insured crop; and
  - (v) You must report the crop acreage that will not be insured on the applicable acreage report; and
- (5) Of a crop planted following a second crop or following an insured crop that is prevented from being planted after a first insured crop, unless it is a practice that is generally recognized by agricultural experts or organic agricultural experts for the area to plant three or more crops for harvest on the same acreage in the same crop year, and additional coverage insurance provided under the authority of the Act is offered for the third or subsequent crop in the same crop year. Insurance will only be provided for a third or subsequent crop as follows:
- (i) You must provide records acceptable to us that show:
    - (A) You have produced and harvested the insured crop following two other crops harvested on the same acreage in the same crop year in at least two of the last four years in which you produced the insured crop; or
    - (B) The applicable acreage has had three or more crops produced and harvested on it in the same crop year in at least two of the last four years in which the insured crop was grown on the acreage; and
  - (ii) The amount of insurable acreage will not exceed 100 percent of the greatest number of acres for which you provide the records required in section 5(c)(5)(i).
- (d) Except as provided in section 5(e), in the states of Iowa, Minnesota, Montana, Nebraska, North Dakota, and South Dakota, during the first four crop years of planting on native sod acreage that has been tilled after February 7, 2014, such acreage may be insured if the requirements of section 5(a) have been met but will:
- (1) Notwithstanding the provisions in section 6, receive a liability that is based on 65 percent of the protection factor; and
  - (2) For additional coverage policies, receive a premium subsidy that is 50 percentage points less than would otherwise be provided on acreage not qualifying as native sod. If the premium subsidy applicable to these acres is less

than 50 percent before the reduction, you will receive no premium subsidy.

- (e) Section 5(d) is not applicable to cumulative native sod acreage that is five acres or less in the county.

## **6. Coverage, Coverage Levels, Protection Factor, and Policy Protection.**

- (a) For all acreage of the insured crop in the county, you must select the same plan of insurance (e.g., all Area Revenue Protection, all Area Revenue Protection with the Harvest Price Exclusion, or all Area Yield Protection), if such plans are available on the actuarial documents.
- (b) You must choose a protection factor:
  - (1) Unless otherwise specified in the Special Provisions from a range of 80 percent to 120 percent;
  - (2) As a whole percentage from amounts specified; and
  - (3) For each crop, type, and practice (you may choose a different protection factor for each crop, type, and practice).
- (c) You may select any coverage level shown on the actuarial documents for each crop, type, and practice.
  - (1) For Area Revenue Protection and Area Revenue Protection with the Harvest Price Exclusion:
    - (i) CAT level of coverage is not available; and
    - (ii) With respect to additional level of coverage, you may select any coverage level specified in the actuarial documents for each crop, type, and practice. For example: You may choose a 75 percent coverage level for one crop, type, and practice (such as corn irrigated practice) and a 90 percent coverage level for another crop, type, and practice (corn non-irrigated practice).
  - (2) For Area Yield Protection:
    - (i) CAT level of coverage is available, and you may select the CAT level of coverage for any crop, type, and practice;
    - (ii) With respect to additional level of coverage, you may select any coverage level specified in the actuarial documents for each crop, type, and practice. For example: You may choose a 75 percent coverage level for one crop, type, and practice (corn irrigated practice) and a 90 percent coverage level for another crop, type, and practice (corn non-irrigated practice); and
    - (iii) You may have CAT level of coverage on one type and practice shown on the actuarial documents for the crop, and additional coverage on another type and practice for the same crop. You may also have different additional levels of coverage by type and practice.
- (d) You may change the plan of insurance, protection factor, or coverage level, for the following crop year by giving written notice to us not later than the sales closing date for the insured crop.
- (e) Since this is a continuous policy, if you do not select a new plan of insurance, protection factor, and coverage level on or before the sales closing date, we

will assign the same plan of insurance, protection factor, and coverage level as the previous year.

- (f) Policy protection for ARPI plans of insurance is calculated as follows:

(1) Multiply the dollar amount of insurance per acre for each crop, type, and practice by the number of acres insured for such crop, type and practice; and

(2) Multiply the result of paragraph (1) by your share.

- (g) If the projected price cannot be calculated for the current crop year under the provisions contained in the CEPP and you previously chose Area Revenue Protection or Area Revenue Protection with the Harvest Price Exclusion:

(1) Area Revenue Protection and Area Revenue Protection with the Harvest Price Exclusion will not be provided and you will automatically be covered under the Area Yield Protection plan of insurance for the current crop year unless you cancel your coverage by the cancellation date or change your plan of insurance by the sales closing date;

(2) Notice of availability of the projected price will be provided on RMA's Web site by the date specified in the applicable projected price definition contained in the CEPP;

(3) The projected price will be determined by FCIC and will be released by the date specified in the applicable projected price definition contained in the CEPP; and

(4) Your coverage will automatically revert back to Area Revenue Protection or Area Revenue Protection with the Harvest Price Exclusion, whichever is applicable, for the next crop year that revenue protection is available unless you cancel your coverage by the cancellation date or change your plan of insurance by the sales closing date.

## **7. Annual Premium and Administrative Fees.**

- (a) The administrative fee:

(1) For CAT level of coverage will be an amount specified in the CAT Endorsement or the Special Provisions, as applicable;

(2) For additional levels of coverage is \$30, or an amount specified in the Special Provisions, as applicable;

(3) Is payable to us on the premium billing date for the crop;

(4) Must be paid no later than the time premium is due or the amount will be considered a delinquent debt;

(5) If you select coverage in accordance with section 6(c)(2)(iii):

(i) Will be charged for both CAT and additional level of coverage if a producer elects both for the crop in the county; but

(ii) Will not be more than one additional and one CAT administrative fee no matter how many different coverage levels you choose for different type and practice combinations you insure for the crop in the county;

(6) Will be waived if you request it and:

(i) You qualify as a beginning farmer or rancher;

(iii) You qualify as a limited resource farmer; or

(iii) You were insured prior to the 2005 crop year or for the 2005 crop year and your administrative fee was waived for one or more of those crop years because you qualified as a limited resource farmer under a policy definition previously in effect, and you remain qualified as a limited resource farmer under the definition that was in effect at the time the administrative fee was waived;

(7) Will not be required if you file a bona fide zero acreage report on or before the acreage reporting date for the crop. If you falsely file a zero acreage report you may be subject to criminal, civil and administrative sanctions; and

(8) If not paid when due, may make you ineligible for crop insurance and certain other USDA benefits.

(b) The premium is based on the policy protection calculated in section 6(f).

(c) The information needed to determine the premium rate and any premium adjustment percentages that may apply are contained in the actuarial documents.

(d) To calculate the premium and subsidy amounts for ARPI plans of insurance:

(1) Multiply your policy protection from section 6(f) by the applicable premium rate and any premium adjustment percentages that may apply;

(2) Multiply the result of paragraph (1) by the applicable subsidy factor (This is the amount of premium FCIC will pay);

(3) Subtract the result of paragraph (2) from the result of paragraph (1) to calculate the amount of premium you will pay.

(e) The amount of premium calculated in accordance with section 7(d)(3) is earned and payable at the time coverage begins. You will be billed for such premium and applicable administrative fees not earlier than the premium billing date specified in the actuarial documents.

(f) If the amount of premium calculated in accordance with section 7(d)(3) and administrative fees you are required to pay for any acreage exceeds the amount of policy protection for the acreage, coverage for those acres will not be provided (No premium or administrative fee will be due and no indemnity will be paid for such acreage).

(g) Premium or administrative fees owed by you will be offset from an indemnity due you in accordance with section 2(j).

(h) If you qualify as a beginning farmer or rancher, your premium subsidy will be 10 percentage points greater than the premium subsidy that you would otherwise receive, unless otherwise specified in the Special Provisions.

(i) Effective for any policies with a sales closing date on or after July 1, 2015, you will be ineligible for any premium subsidy paid on your behalf by FCIC for any policy issued by us if:

(1) USDA determines you have committed a violation of the highly erodible land conservation or wetland conservation provisions of 7 CFR part 12



as amended by the Agricultural Act of 2014; or

- (2) You have not filed form AD-1026, or successor form, with FSA by June 1 prior to the sales closing date to be properly identified as in compliance with the conservation provisions specified in section 7(i)(1) (For example, to be eligible for a premium subsidy for a crop with a sales closing date of March 15, 2016, you must have filed your form AD-1026 by June 1, 2015).
- (i) Notwithstanding section 7(i)(2), if you demonstrate you began farming for the first time after June 1 but prior to the beginning of the reinsurance year (July 1), you may be eligible for premium subsidy the subsequent reinsurance year without having form AD-1026 on file with FSA on or before June 1. For example, if you demonstrate you started farming for the first time on June 15, 2015, you may be eligible for premium subsidy for the 2016 reinsurance year without form AD-1026 on file with FSA.
- (ii) To be eligible for premium subsidy paid on your behalf by FCIC, it is your responsibility to assure you meet all the requirements for:
  - (A) Compliance with the conservation provisions specified in section 7(i)(1) of this section; and
  - (B) Filing form AD-1026, or successor form, to be properly identified as in compliance with the conservation provisions specified in section 7(i)(1) of this section.

#### **8. Report of Acreage and Production.**

- (a) An annual acreage report must be submitted to us on our form for each insured crop (separate lines for each type and practice) in the county on or before the acreage reporting date contained in the actuarial documents.
- (b) If you do not have a share in an insured crop in the county for the crop year, you must submit an acreage report, on or before the acreage reporting date, so indicating.
- (c) Your acreage report must include the following information, if applicable:
  - (1) The amount of acreage of the crop in the county (insurable and not insurable) in which you have a share, the last date any acreage of the insured crop was planted, and the number of acres planted by such date (Acreage initially planted after the final planting date must be reported as uninsurable);
  - (2) Your share at the time coverage begins;
  - (3) The practice;
  - (4) The type; and
  - (5) The land identifier for the crop acreage (e.g., legal description, FSA farm number or common land unit number if provided to you by FSA, etc.) as required on our form.
- (d) We will not insure any acreage of the insured crop planted after the final planting date.
- (e) Regarding the ability to revise an acreage report you have submitted to us:
  - (1) You cannot revise any information pertaining to

the planted acreage after the acreage reporting date without our consent;

- (2) Consent may only be provided:
  - (i) If the information on the acreage report is clearly transposed;
  - (ii) If you provide adequate evidence that we have or someone from USDA has committed an error regarding the information on your acreage report;
  - (iii) If allowed in the Crop Provisions;
  - (iv) As otherwise provided in the Special Provisions; and
- (3) The provisions in section 8(e)(1) and (2) also pertain to land acquired after the acreage reporting date, and we may choose to insure or not insure the acreage, provided the crop meets the requirements in section 5 and section 8. This requirement does not apply to any acreage acquired through a transfer of coverage in accordance with section 17.
- (f) Except as provided in section 8(h), your premium and indemnity, if any, will be based on your insured acreage and share on your acreage report or section 8(e), if applicable.
- (g) We may elect to determine all premiums and indemnities based on the information you submit on the acreage report or upon the factual circumstances we determine to have existed, subject to the provisions contained in section 8.
- (h) You must provide all required reports and you are responsible for the accuracy of all information contained in those reports. You should verify the information on all such reports prior to submitting them to us.
  - (1) Except as provided in section 8(h)(2), if you submit information on any report that is different than what is determined to be correct and the information reported on the acreage report results in:
    - (i) A lower liability than the actual, correct liability determined, the policy protection will be reduced to an amount consistent with the information reported on the acreage report; or
    - (ii) A higher liability than the actual, correct liability determined, the information contained in the acreage report will be revised to be consistent with the correct information.
  - (2) If your share is misreported and the share is:
    - (i) Under-reported at the time of the acreage report, any claim will be determined using the share you reported; or
    - (ii) Over-reported at the time of the acreage report, any claim will be determined using the share we determine to be correct.
- (i) If we discover you have incorrectly reported any information on the acreage report for any crop year, you may be required to provide documentation in subsequent crop years substantiating your report of acreage for those crop years, including, but not limited to, an acreage measurement service at your own

expense. If the correction of any misreported information would affect an indemnity that was paid in a prior crop year, such claim will be adjusted and you will be required to repay any overpaid amounts.

- (j) You may request an acreage measurement from FSA or a business that provides such measurement service prior to the acreage reporting date, submit documentation of such request and an acreage report with estimated acreage by the acreage reporting date, and if the acreage measurement shows the estimated acreage was incorrect, we will revise your acreage report to reflect the correct acreage:
  - (1) If an acreage measurement is only requested for a portion of the insured crop, type, and practice, you must separately designate the acreage for which an acreage measurement has been requested;
  - (2) If an acreage measurement is not provided to us by the time the final county revenue or final county yield, as applicable, is calculated, we may:
    - (i) Elect to measure the acreage, and finalize your claim in accordance with applicable policy provisions;
    - (ii) Defer finalization of the claim until the measurement is completed with the understanding that if you fail to provide the measurement prior to the termination date, your claim will not be paid; or
    - (iii) Finalize the claim in accordance with applicable policy provisions after you provide the acreage measurement to us; and
  - (3) Premium will still be due in accordance with sections 2(k) and 7 (If the acreage is not measured as specified in section 8(j) and the acreage measurement is not provided to us at least 15 days prior to the premium billing date, your premium will be based on the estimated acreage and will be revised, if necessary, when the acreage measurement is provided);
  - (4) If the acreage measurement is not provided by the termination date, you will be precluded from providing any estimated acreage for all subsequent crop years;
  - (5) If there is an irreconcilable difference between:
    - (i) The acreage measured by FSA or a measuring service and our on-farm measurement, our on-farm measurement will be used; or
    - (ii) The acreage measured by a measuring service, other than our on-farm measurement, and FSA, the FSA measurement will be used; and
  - (6) If the acreage report has been revised in accordance with sections 8(g) and 8(j), the information on the initial acreage report will not be considered misreported for the purposes of section 8(h).
- (k) If you do not submit an acreage report by the acreage reporting date, or if you fail to report all acreage, we may elect to determine the insurable acreage, by crop, type, practice, and share, or to deny liability on such acreage. If we deny liability for the unreported

acreage, no premium will be due on such acreage and no indemnity will be paid.

- (l) An annual production report must be submitted, unless otherwise specified in the Special Provisions, to us on our form for each insured crop (separate lines for each type and practice) in the county by the production reporting date specified in the actuarial documents.
  - (m) Unless otherwise authorized by FCIC, if you do not submit a production report to us by the production reporting date specified in the actuarial documents, your protection factor for your policy in the following crop year will be limited to the lowest protection factor available.
  - (n) You must certify to the accuracy of the information on your production report and if you fail to accurately report your production, you will be subject to the provisions in 8(m), unless the information is corrected:
    - (1) On or before the production reporting date; or
    - (2) Because the incorrect information was the result of our error or the error of someone from USDA.
  - (o) If you do not have records to support the information on your production report, you will be subject to the provisions in 8(m).
  - (p) At any time we discover you have misreported any material information on your production report, you will be subject to the provisions in 8(m).
  - (q) If you do not submit a production report or you misreported your production report and you switch to another plan of insurance in the following crop year, you will be subject to having a yield assigned in accordance with FCIC procedures.
  - (r) Errors in reporting acreage, share, and other information required in this section, may be corrected by us at the time we become aware of such errors. However, the provisions regarding incorrect information in this section will apply.
- 9. Share Insured.**
- (a) Insurance will attach:
    - (1) Only if the person completing the application has a share in the insured crop; and
    - (2) Only to that person's share, except that insurance may attach to another person's share of the insured crop if the other person has a share of the crop and:
      - (i) The application clearly states the insurance is requested for a person other than an individual (e.g., a partnership or a joint venture); or
      - (ii) The application clearly states you as a landlord will insure your tenant's share, or you as a tenant will insure your landlord's share. If you as a landlord will insure your tenant's share, or you as a tenant will insure your landlord's share, you must provide evidence of the other party's approval (lease, power of attorney, etc.) and such evidence will be retained by us:
        - (A) You also must clearly set forth the percentage shares of each person on the acreage report; and
        - (B) For each landlord or tenant, you must

report the landlord's or tenant's SSN, EIN, or other identification number we assigned for the purposes of this policy, as applicable.

(b) With respect to your share:

(1) We will consider included in your share under your policy, any acreage or interest reported by or for:

(i) Your spouse, unless such spouse can prove he/she has a separate farming operation, which includes, but is not limited to, separate land (transfers of acreage from one spouse to another is not considered separate land), separate capital, separate inputs, separate accounting, and separate maintenance of proceeds; or

(ii) Your child who resides in your household or any other member of your household, unless such child or other member of the household can demonstrate such person has a separate share in the crop (Children who do not reside in your household are not included in your share); and

(2) If it is determined that the spouse, child or other member of the household has a separate policy but does not have a separate farming operation or share of the crop, as applicable:

(i) The policy for the spouse or child or other member of the household will be void and the policy remaining in effect will be determined in accordance with section 18(c)(1) and (2);

(ii) The acreage or share reported under the policy that is voided will be included under the remaining policy; and

(iii) No premium will be due and no indemnity will be paid for the voided policy.

(c) Acreage rented for a percentage of the crop, or a lease containing provisions for both a minimum payment (such as a specified amount of cash, bushels, pounds, etc.) and a crop share will be considered a crop share lease.

(d) Acreage rented for cash, or a lease containing provisions for either a minimum payment or a crop share (such as a 50/50 share or \$100.00 per acre, whichever is greater) will be considered a cash lease.

#### 10. Insurance Period.

Unless specified otherwise in the Crop Provisions, coverage begins at the later of:

(a) The date we accept your application (For the purposes of this paragraph, the date of acceptance is the date that you submit a properly executed application in accordance with section 2); or

(b) The date the insured crop is planted.

#### 11. Causes of Loss.

(a) ARPI provides protection against loss of revenue or against loss of yield in a county resulting from natural causes of loss that cause the final county yield or the final county revenue to be less than the trigger yield or the trigger revenue.

(b) Failure to follow good farming practices, or planting or producing a crop using a practice that has not been widely recognized as used to establish the expected

county yield, is not an insurable cause of loss under ARPI.

#### 12. Triggers, Final Policy Protection, Payment Factor, and Indemnity Calculations.

(a) Individual farm revenues and yields are not considered when calculating losses under ARPI. It is possible that your individual farm may experience reduced revenue or reduced yield and you do not receive an indemnity under ARPI.

(b) To calculate the trigger revenue:

(1) For Area Revenue Protection, multiply the expected county yield by the greater of the projected or harvest price and by the coverage level.

(2) For Area Revenue Protection with the Harvest Price Exclusion, multiply the expected county yield by the projected price and by the coverage level.

(c) To calculate the Trigger Yield for Area Yield Protection, multiply the expected county yield by the coverage level.

(d) If the harvest price cannot be calculated for the current crop year under the provisions contained in the CEPP:

(1) Revenue protection will continue to be available; and

(2) The harvest price will be determined and announced by FCIC.

(e) The final policy protection for:

(1) Area Revenue Protection is calculated by:

(i) Multiplying the expected county yield by the greater of the harvest price or the projected price;

(ii) Multiplying the result of subparagraph (i) by your protection factor; and

(iii) Multiplying the result of subparagraph (ii) by your acres and by your share.

(2) Area Revenue Protection with the Harvest Price Exclusion and Area Yield Protection are equal to the policy protection and are calculated by:

(i) Multiplying the expected county yield by the projected price;

(ii) Multiplying the result of subparagraph (i) by your protection factor; and

(iii) Multiplying the result of subparagraph (ii) by your acres and by your share.

(f) An indemnity is due for:

(1) Area Revenue Protection and Area Revenue Protection with the Harvest Price Exclusion if the final county revenue is less than the trigger revenue.

(2) Area Yield Protection if the final county yield is less than the trigger yield.

(g) The payment factor is calculated for:

(1) Area Revenue Protection by:

(i) Subtracting the final county revenue from the trigger revenue to determine the amount of loss;

(ii) Multiplying the expected county yield by the greater of the projected or harvest price and by the loss limit factor;

(iii) Subtracting the result of subparagraph (ii)

- from the trigger revenue; and
- (iv) Dividing the result of subparagraph (i) by the result of subparagraph (iii) to obtain the payment factor.

(2) Area Revenue Protection with the Harvest Price Exclusion by:

- (i) Subtracting the final county revenue from the trigger revenue to determine the amount of loss;
- (ii) Multiplying the expected county yield by the projected price and by the loss limit factor;
- (iii) Subtracting the result of subparagraph (ii) from the trigger revenue; and
- (iv) Dividing the result of subparagraph (i) by the result of subparagraph (iii) to obtain the payment factor.

(3) Area Yield Protection by:

- (i) Subtracting the final county yield from the trigger yield to determine the amount of loss;
- (ii) Multiplying the expected county yield by the loss limit factor;
- (iii) Subtracting the result of subparagraph (ii) from the trigger yield; and
- (iv) Dividing the result of subparagraph (i) by the result of subparagraph (iii) to obtain the payment factor.

(h) Indemnities for all three ARPI plans of insurance are calculated by multiplying the final policy protection by the payment factor.

(i) Indemnities for all three ARPI plans of insurance are calculated following release of the final county yield and harvest price as specified in the Crop Provisions.

### 13. Indemnity and Premium Limitations.

(a) With respect to acreage where you are due an indemnity for your first insured crop in the crop year, except in the case of double cropping described in section 13(c):

(1) You may elect to not plant or to plant and not insure a second crop on the same acreage for harvest in the same crop year and collect an indemnity payment that is equal to 100 percent of the insurable loss for the first insured crop; or

(2) You may elect to plant and insure a second crop on the same acreage for harvest in the same crop year (you will pay the full premium and if there is an insurable loss to the second crop, receive the full amount of indemnity that may be due for the second crop, regardless of whether there is a subsequent crop planted on the same acreage) and:

- (i) Collect an indemnity payment that is 35 percent of the insurable loss for the first insured crop;
- (ii) Be responsible for a premium that is 35 percent of the premium that you would otherwise owe for the first insured crop; and
- (iii) If the second crop does not suffer an insurable loss:

(A) Collect an indemnity payment for the other 65 percent of insurable loss that was not previously paid under section 13(a)(2)(i); and

(B) Be responsible for the remainder of the premium for the first insured crop that you did not pay under section 13(a)(2)(ii).

(b) In lieu of the priority contained in the Agreement to Insure section, which states that the Crop Provisions have priority over the Basic Provisions, the reduction in the amount of indemnity and premium specified in section 13(a) of these Basic Provisions, as applicable, will apply to any premium owed or indemnity paid in accordance with the Crop Provisions, and any applicable endorsement. This will apply:

- (1) Even if another person plants the second crop on any acreage where the first insured crop was planted; or
- (2) If you fail to provide any records we require to determine whether an insurable loss occurred for the second crop.

(c) You may receive a full indemnity for a first insured crop when a second crop is planted on the same acreage in the same crop year, regardless of whether or not the second crop is insured or sustains an insurable loss, if each of the following conditions are met:

- (1) It is a practice that is generally recognized by agricultural experts or organic agricultural experts for the area to plant two or more crops for harvest in the same crop year;
- (2) The second or more crops are customarily planted after the first insured crop for harvest on the same acreage in the same crop year in the area;
- (3) Additional coverage insurance offered under the authority of the Act is available in the county on the two or more crops that are double cropped; and
- (4) You provide records acceptable to us of acreage and production that show you have double cropped acreage in at least two of the last four crop years in which the first insured crop was planted, or that show the applicable acreage was double cropped in at least two of the last four crop years in which the first insured crop was grown on it.

(d) The receipt of a full indemnity on both crops that are double cropped is limited to the number of acres for which you can demonstrate you have double cropped or that have been historically double cropped as specified in section 13(c).

(1) If the records you provided are from acreage you double cropped in at least two of the last four crop years, you may apply your history of double cropping to any acreage of the insured crop in the county (e.g., if you have double cropped 100 acres of wheat and soybeans in the county and you acquire an additional 100 acres in the county, you can apply that history of double cropped acreage to any of the 200 acres in the county as long as it does not exceed 100 acres); or

(2) If the records you provided are from acreage that another producer double cropped in at least two of the last four crop years, you may only use the

history of double cropping for the same physical acres from which double cropping records were provided (e.g., if a neighbor has double cropped 100 acres of wheat and soybeans in the county and you acquire your neighbor's 100 double cropped acres and an additional 100 acres in the county, you can only apply your neighbor's history of double cropped acreage to the same 100 acres that your neighbor double cropped).

- (e) If any Federal or State agency requires destruction of any insured crop or crop production, as applicable, because it contains levels of a substance, or has a condition, that is injurious to human or animal health in excess of the maximum amounts allowed by the Food and Drug Administration, other public health organizations of the United States or an agency of the applicable State, you must destroy the insured crop or crop production, as applicable, and certify that such insured crop or crop production has been destroyed prior to receiving an indemnity payment. Failure to destroy the insured crop or crop production, as applicable, will result in you having to repay any indemnity paid and you may be subject to administrative sanctions in accordance with section 515(h) of the Act and 7 CFR part 400, subpart R, and any applicable civil or criminal sanctions.

#### **14. Organic Farming Practices.**

- (a) Insurance will be provided for a crop grown using an organic farming practice for only those acres of the crop that meet the requirements for an organic crop on the acreage reporting date.
- (b) If an organic type or practice is shown on the actuarial documents, the projected price, dollar amount of insurance, policy protection, premium rate, etc., for such organic crop, type and practice will be used unless otherwise specified in the actuarial documents. If an organic type or practice is not shown on the actuarial documents, the projected price, dollar amount of insurance, policy protection, premium rate, etc., for the non-organic crop, type and practice will be used.
- (c) If insurance is provided for an organic farming practice as specified in section 14(a) and (b), only the following acreage will be insured under such practice:
  - (1) Certified organic acreage;
  - (2) Transitional acreage being converted to certified organic acreage in accordance with an organic plan; and
  - (3) Buffer zone acreage.
- (d) On the date you report your acreage, you must have:
  - (1) For certified organic acreage, a written certification in effect from a certifying agent indicating the name of the entity certified, effective date of certification, certificate number, types of commodities certified, and name and address of the certifying agent (A certificate issued to a tenant may be used to qualify a landlord or other similar arrangement);
  - (2) For transitional acreage, a certificate as described in section 14(d)(1), or written documentation from a certifying agent indicating an organic plan is in effect for the acreage; and

- (3) Records from the certifying agent showing the specific location of each field of certified organic, transitional, buffer zone, and acreage not maintained under organic management.

#### **15. Yields.**

- (a) The data source used for the county yields will be based on the best available data and will be specified in the actuarial documents.
- (b) Except as otherwise provided in this section, the data source used to establish the expected county yield will be the data source used to establish the final county yield.
- (c) If the data source used to establish the expected county yield is not able to provide credible data to establish the final county yield because the data is no longer available, credible, or reflect changes that may have occurred after the yield was established;
  - (1) FCIC will determine the final county yield based on the most accurate data available from subsection (g), as determined by FCIC; or
  - (2) To the extent that practices used during the crop year change from those upon which the expected county yield is based, the final county yield may be adjusted to reflect the yield that would have resulted but for the change in practice. For example, if the county is traditionally 90 percent irrigated and 10 percent non-irrigated, but this year the county is now 50 percent irrigated and 50 percent non-irrigated, the final county yield will be adjusted to an amount as if the county had 90 percent irrigated acreage.
- (d) If the final county yield is established from a data source other than that used to establish the expected county yield, FCIC will provide notice of the data source and the reason for the change at the time the final county yield is published.
- (e) If yields are based on NASS data, the final county yield will be the most current NASS yield at the time FCIC determines the yield in accordance with the payment dates section of the applicable Crop Provisions.
- (f) The final county yield determined by FCIC is considered final for the purposes of establishing whether an indemnity is due and will not be revised for any reason.
- (g) Yields used under this insurance program for a crop, may be based on:
  - (1) Data collected by NASS, if elected by FCIC, regardless of whether such data is published or unpublished; or
  - (2) Crop insurance data, other USDA data, or other data sources, if elected by FCIC.

#### **16. Assignment of Indemnity.**

- (a) You may assign your right to an indemnity for the crop year only to creditors or other persons to whom you have a financial debt or other pecuniary obligation. You may be required to provide proof of the debt or other pecuniary obligation before we will accept the assignment of indemnity.
- (b) All assignments must be on our form and must be provided to us. Each assignment form may contain more than one creditor or other person to whom you

have a financial debt or other pecuniary obligation.

- (c) Unless you have provided us with a properly executed assignment of indemnity, we will not make any payment to a lienholder or other person to whom you have a financial debt or other pecuniary obligation even if you may have a lien or other assignment recorded elsewhere. Under no circumstances will we be liable:

- (1) To any lienholder or other person to whom you have a financial debt or other pecuniary obligation where you have failed to include such lienholder or person on a properly executed assignment of indemnity provided to us; or
- (2) To pay to all lienholders or other persons to whom you have a financial debt or other pecuniary obligation any amount greater than the total amount of indemnity owed under the policy.

- (d) If we have received the properly executed assignment of indemnity form:

- (1) Only one payment will be issued jointly in the names of all assignees and you; and
- (2) Any assignee will have the right to submit all notices and forms as required by the policy.

#### **17. Transfer of Coverage and Right to Indemnity.**

If you transfer any part of your share during the crop year, you may transfer your coverage rights, if the transferee is eligible for crop insurance.

- (a) We will not be liable for any more than the liability determined in accordance with your policy that existed before the transfer occurred.
- (b) The transfer of coverage rights must be on our form and will not be effective until approved by us in writing.
- (c) Both you and the transferee are jointly and severally liable for the payment of the premium and administrative fees.
- (d) The transferee has all rights and responsibilities under this policy consistent with the transferee's interest.

#### **18. Other Insurance.**

- (a) Nothing in this section prevents you from obtaining other insurance not authorized under the Act. However, unless specifically required by policy provisions, you must not obtain any other crop insurance authorized under the Act on your share of the insured crop.
- (b) If you cannot demonstrate that you did not intend to have more than one policy in effect, you may be subject to the consequences authorized under this policy, the Act, or any other applicable statute.
- (c) If you can demonstrate that you did not intend to have more than one policy in effect (For example, an application to transfer your policy or written notification to an insurance provider that states you want to purchase, or transfer, insurance and you want any other policies for the crop canceled would demonstrate you did not intend to have duplicate policies) and:
  - (1) One is an additional coverage policy and the other is a CAT policy:
    - (i) The additional coverage policy will apply if both policies are with the same insurance provider or, if not, both insurance providers

agree; or

- (ii) The policy with the earliest date of application will be in force if both insurance providers do not agree; or
- (2) Both are additional coverage policies or both are CAT policies, the policy with the earliest date of application will be in force and the other policy will be void, unless both policies are with:
- (i) The same insurance provider and the insurance provider agrees otherwise; or
  - (ii) Different insurance providers and both insurance providers agree otherwise.

#### **19. Crops as Payment.**

You must not abandon any crop to us. We will not accept any crop as compensation for payments due us.

#### **20. Notices.**

- (a) All notices required to be given by you must be in writing and received by your crop insurance agent within the designated time unless otherwise provided by the notice requirement.
  - (1) Notices required to be given immediately may be by telephone or in person and confirmed in writing.
  - (2) The time the notice is provided will be determined by the time of our receipt of the written notice.
  - (3) If the date by which you are required to submit a report or notice falls on Saturday, Sunday, or a Federal holiday, or if your agent's office is, for any reason, not open for business on the date you are required to submit such notice or report, such notice or report must be submitted on the next business day.
- (b) All policy provisions, notices, and communications required to be sent by us to you will be:
  - (1) Provided by electronic means, unless:
    - (i) We do not have the ability to transmit such information to you by electronic means; or
    - (ii) You elect to receive a paper copy of such information;
  - (2) Sent to the location specified in your records with your crop insurance agent; and
  - (3) Will be conclusively presumed to have been received by you.

#### **21. Access to Insured Crop and Records, and Record Retention.**

- (a) We, and any employee of USDA authorized to investigate or review any matter relating to crop insurance (authorized employee of USDA), have the right to examine the insured crop and all records related to the insured crop and this policy, and any mediation, arbitration or litigation involving the insured crop as often as reasonably required during the record retention period.
- (b) You must retain, and provide upon our request, or the request of any authorized employee of USDA, complete records pertaining to the planting, acres, share, replanting, inputs, production, harvesting and disposition of the insured crop for a period of three years after the end of the crop year or three years after the date of final payment of indemnity, whichever is later. This requirement also applies to all such records for acreage that is not insured.



- (c) We, or any authorized employee of USDA, may extend the record retention period beyond three years by notifying you of such extension in writing.
- (d) By signing the application for insurance authorized under the Act or by continuing insurance for which you have previously applied, you authorize us or USDA, or any person acting for us or USDA authorized to investigate or review any matter relating to crop insurance, to obtain records relating to the planting, acres, share, replanting, inputs, production, harvesting, and disposition of the insured crop from any person who may have custody of such records, including but not limited to, FSA offices, banks, warehouses, gins, cooperatives, marketing associations, and accountants. You must assist in obtaining all records we or any authorized employee of USDA request from third parties.
- (e) Failure to provide access to the insured crop or the farm, authorize access to the records maintained by third parties, or assist in obtaining all such records will result in a determination that no indemnity is due for the crop year in which such failure occurred.

## **22. Amounts Due Us.**

- (a) Interest will accrue at the rate of 1.25 percent simple interest per calendar month on any unpaid amount owed to us or on any unpaid administrative fees owed to FCIC.
  - (1) For the purpose of premium amounts owed to us or administrative fees owed to FCIC, interest will start to accrue on the first day of the month following the issuance of the notice by us, provided that a minimum of 30 days have passed from the premium billing date specified in the actuarial documents, provided a minimum of 30 days have passed from the premium billing date.
  - (2) We will collect any unpaid amounts owed to us and any interest owed thereon and, prior to the termination date, we will collect any administrative fees and interest owed thereon to FCIC. After the termination date, FCIC will collect any unpaid administrative fees and any interest owed thereon for any CAT policy and we will collect any unpaid administrative fees and any interest owed thereon for additional coverage policies.
- (b) For the purpose of any other amounts due us, such as repayment of indemnities found not to have been earned, interest will start to accrue on the date that notice is issued to you for the collection of the unearned amount.
  - (1) Amounts found due under this paragraph will not be charged interest if payment is made within 30 days of issuance of the notice by us.
  - (2) The amount will be considered delinquent if not paid within 30 days of the date the notice is issued by us.
- (c) All amounts paid will be applied first to expenses of collection (see subsection (d) of this section), if any, second to the reduction of accrued interest, and then to the reduction of the principal balance.
- (d) If we determine that it is necessary to contract with a collection agency or to employ an attorney to assist in

collection, you agree to pay all of the expenses of collection.

- (e) The portion of the amounts owed by you for a policy authorized under the Act that are owed to FCIC may be collected in part through administrative offset from payments you receive from United States government agencies in accordance with 31 U.S.C. chapter 37. Such amounts include all administrative fees, and the share of the overpaid indemnities and premiums retained by FCIC plus any interest owed thereon.

## **23. Mediation, Arbitration, Appeal, Reconsideration, and Administrative and Judicial Review.**

- (a) All expected county yields and final county yields are calculated by FCIC in accordance with section 15. However, calculations of expected county yields and final county yields are matters of general applicability.
  - (1) Any matter of general applicability is not subject to appeal under 7 CFR part 400, subpart J or 7 CFR part 11.
  - (2) Your only remedy is judicial review but if you want to seek judicial review of any FCIC determination that is a matter of general applicability, you must request a determination of non-appealability from the Director of the National Appeals Division in accordance with 7 CFR 11.6 before seeking judicial review.
  - (3) The timeframe to request a determination of non-appealability from the Director of the National Appeals Division is not later than 30 days after the date the yields are published on RMA's Web site.
- (b) With respect to good farming practices:
  - (1) We will make preliminary decisions regarding what constitutes a good farming practice.
  - (2) If you disagree with our decision of what constitutes a good farming practice, you must request a determination from FCIC of what constitutes a good farming practice.
  - (3) If you do not agree with any determination made by FCIC regarding what constitutes a good farming practice:
    - (i) You may request reconsideration by FCIC of this determination in accordance with the reconsideration process established for this purpose and published at 7 CFR part 400, subpart J; or
    - (ii) You may file suit against FCIC as follows:
      - (A) You are not required to request reconsideration from FCIC before filing suit;
      - (B) Any suit must be brought against FCIC in the United States district court for the district in which the insured acreage is located; and
      - (C) Suit must be filed against FCIC not later than one year after the date:
        - (1) Of the determination made by FCIC regarding what constitutes a good farming practice; or
        - (2) Reconsideration is completed, if reconsideration was requested under section 23(b)(2)(i).

- (c) If you elect to bring suit against FCIC after seeking a Director's Review in accordance with section 23(a), such suit must be filed against FCIC in the United States district court for the district in which the insured acreage is located not later than one year after the date of the decision rendered by the Director. Under no circumstances can you recover any punitive, compensatory or any other damages from FCIC.
- (d) With respect to any other determination under this policy:
  - (1) If you and we fail to agree on any determination not covered by sections 23(a) and (c), the disagreement may be resolved through mediation. To resolve any dispute through mediation, you and we must both:
    - (i) Agree to mediate the dispute;
    - (ii) Agree on a mediator; and
    - (iii) Be present or have a designated representative who has authority to settle the case present, at the mediation.
  - (2) If resolution cannot be reached through mediation, or you and we do not agree to mediation, the disagreement must be resolved through arbitration in accordance with the rules of the American Arbitration Association (AAA), unless otherwise stated in this subsection or rules are established by FCIC for this purpose. Any mediator or arbitrator with a familial, financial or other business relationship to you or us, or our agent or loss adjuster, is disqualified from hearing the dispute.
  - (3) If the dispute in any way involves a policy or procedure interpretation, regarding whether a specific policy provision or procedure is applicable to the situation, how it is applicable, or the meaning of any policy provision or procedure, either you or we must obtain an interpretation from FCIC in accordance with 7 CFR part 400, subpart X or such other procedures as established by FCIC.
    - (i) Any interpretation by FCIC will be binding in any mediation or arbitration.
    - (ii) Failure to obtain any required interpretation from FCIC will result in the nullification of any agreement or award.
    - (iii) An interpretation by FCIC of a policy provision is considered a determination that is a matter of general applicability. However, before such interpretation may be challenged in the courts, you must request a determination of non-appealability from the Director of the National Appeals Division not later than 30 days after the date the interpretation was published on RMA's Web site.
  - (4) Unless the dispute is resolved through mediation, the arbitrator must provide to you and us a written statement describing the issues in dispute, the factual findings, the determinations and the amount and basis for any award and breakdown by claim for any award.
    - (i) The statement must also include any amounts awarded for interest.
- (ii) Failure of the arbitrator to provide such written statement will result in the nullification of all determinations of the arbitrator.
- (iii) All agreements reached through settlement, including those resulting from mediation, must be in writing and contain at a minimum a statement of the issues in dispute and the amount of the settlement.
- (5) Regardless of whether mediation is elected:
  - (i) The initiation of arbitration proceedings must occur within one year of the date we denied your claim or rendered the determination with which you disagree, whichever is later;
  - (ii) If you fail to initiate arbitration in accordance with section 23(d)(5)(i) and complete the process, you will not be able to resolve the dispute through judicial review;
  - (iii) If arbitration has been initiated in accordance with section 23(d)(5)(i) and completed, and judicial review is sought, suit must be filed not later than one year after the date the arbitration decision was rendered; and
  - (iv) In any suit, if the dispute in any way involves a policy or procedure interpretation, regarding whether a specific policy provision or procedure is applicable to the situation, how it is applicable, or the meaning of any policy provision or procedure, an interpretation must be obtained from FCIC in accordance with 7 CFR part 400, subpart X or such other procedures as established by FCIC. Such interpretation will be binding on all parties.
- (6) Any decision rendered in arbitration is binding on you and us unless judicial review is sought in accordance with section 23(d)(5)(iii). Notwithstanding any provision in the rules of the AAA, you and we have the right to judicial review of any decision rendered in arbitration.
- (e) In any mediation, arbitration, appeal, administrative review, reconsideration or judicial process, the terms of this policy, the Act, and the regulations published at 7 CFR chapter IV, including the provisions of 7 CFR part 400, subpart P, are binding. Conflicts between this policy and any state or local laws will be resolved in accordance with section 27. If there are conflicts between any rules of the AAA and the provisions of your policy, the provisions of your policy will control.
- (f) Except as provided in section 23(g), no award or settlement in mediation, arbitration, appeal, administrative review or reconsideration process or judicial review can exceed the amount of liability established or which should have been established under the policy, except for interest awarded in accordance with section 24.
- (g) In a judicial review only, you may recover attorney fees or other expenses, or any punitive, compensatory or any other damages from us only if you obtain a determination from FCIC that we, our agent or loss adjuster failed to comply with the terms

of this policy or procedures issued by FCIC and such failure resulted in you receiving a payment in an amount that is less than the amount to which you were entitled. Requests for such a determination should be addressed to the following: USDA/RMA/Deputy Administrator for Compliance/Stop 0806, 1400 Independence Avenue, S.W., Washington, D.C. 20250-0806.

#### **24. Interest Limitations.**

We will pay simple interest computed on the net indemnity ultimately found to be due by us or by a final judgment of a court of competent jurisdiction, from and including the 61st day after the final county yield or final county revenue release date as specified in the applicable Crop Provision.

- (a) Interest will be paid only if the reason for our failure to timely pay is NOT due to your failure to provide information or other material necessary for the computation or payment of the indemnity.
- (b) The interest rate will be that established by the Secretary of the Treasury under section 12 of the Contract Disputes Act of 1978 (41 U.S.C. 611) and published in the *Federal Register* semiannually on or about January 1 and July 1 of each year, and may vary with each publication.

#### **25. Descriptive Headings.**

The descriptive headings of the various policy provisions are formulated for convenience only and are not intended to affect the construction or meaning of any of the policy provisions.

#### **26. Conformity to Food Security Act.**

Although your violation of a number of federal statutes, including the Act, may cause cancellation, termination, or avoidance of your insurance contract, you should be specifically aware that your policy will be canceled if you are determined to be ineligible to receive benefits under the Act due to violation of the controlled substance provisions (title XVII) of the Food Security Act of 1985 (Pub. L. 99-198) and the regulations promulgated under the Act by USDA.

- (a) Your insurance policy will be canceled if you are determined, by the appropriate Agency, to be in violation of these provisions.
- (b) We will recover any and all monies paid to you or received by you during your period of ineligibility, and your premium will be refunded, less an amount for expenses and handling equal to 20 percent of the premium paid or to be paid by you.

#### **27. Applicability of State and Local Statutes.**

If the provisions of this policy conflict with statutes of the State or locality in which this policy is issued, the policy provisions will prevail. State and local laws and regulations in conflict with federal statutes, this policy, and the applicable regulations do not apply to this policy.

#### **28. Concealment, Misrepresentation, or Fraud.**

- (a) If you have falsely or fraudulently concealed the fact that you are ineligible to receive benefits under the Act or if you or anyone assisting you has intentionally concealed or misrepresented any material fact relating to this policy:
  - (1) This policy will be voided; and
  - (2) You may be subject to remedial sanctions in accordance with 7 CFR part 400, subpart R.

- (b) Even though the policy is void, you will still be required to pay 20 percent of the premium that you would otherwise be required to pay to offset costs incurred by us in the service of this policy. If previously paid, the balance of the premium will be returned.
- (c) Voidance of this policy will result in you having to reimburse all indemnities paid for the crop year in which the voidance was effective.
- (d) Voidance will be effective on the first day of the insurance period for the crop year in which the act occurred and will not affect the policy for subsequent crop years unless a violation of this section also occurred in such crop years.
- (e) If you willfully and intentionally provide false or inaccurate information to us or FCIC, or you fail to comply with a requirement of FCIC, in accordance with 7 CFR part 400, subpart R, FCIC may impose on you:
  - (1) A civil fine for each violation in an amount not to exceed the greater of:
    - (i) The amount of the pecuniary gain obtained as a result of the false or inaccurate information provided or the noncompliance with a requirement of this title; or
    - (ii) \$10,000; and
  - (2) A disqualification for a period of up to 5 years from receiving any monetary or nonmonetary benefit provided under each of the following:
    - (i) Any crop insurance policy offered under the Act;
    - (ii) The Farm Security and Rural Investment Act of 2002 (7 U.S.C. 7333 et seq.);
    - (iii) The Agricultural Act of 1949 (7 U.S.C. 1421 et seq.);
    - (iv) The Commodity Credit Corporation Charter Act (15 U.S.C. 714 et seq.);
    - (v) The Agricultural Adjustment Act of 1938 (7 U.S.C. 1281 et seq.);
    - (vi) Title XII of the Food Security Act of 1985 (16 U.S.C. 3801 et seq.);
    - (vii) The Consolidated Farm and Rural Development Act (7 U.S.C. 1921 et seq.); and
    - (viii) Any federal law that provides assistance to a producer of a commodity affected by a crop loss or a decline in the prices of commodities.

#### **29. Multiple Benefits.**

- (a) If you are eligible to receive an indemnity under an additional coverage plan of insurance and are also eligible to receive benefits for the same loss under any other USDA program, you may receive benefits under both programs, unless specifically limited by the crop insurance contract or by law.
- (b) Any amount received for the same loss from any USDA program, in addition to the crop insurance payment, will not exceed the difference between the crop insurance payment and the amount of the loss, unless otherwise provided by law. The amount of loss is the difference between the total value of the insured crop before the loss and the total value of the insured crop after the loss.
- (c) FSA or another USDA agency, as applicable, will

determine and pay the additional amount due you for any applicable USDA program, after first considering the amount of any crop insurance indemnity.

### 30. Examples.

The following are examples of the calculation of the premium, amount of insurance and indemnity for each of the three plans of insurance under ARPI. Your information will likely be different and you should consult the actuarial documents in your county and the policy information. The following facts are for illustration purposes only and apply to each of the examples.

Producer A farms 100 acres in county X and has a 100 percent share, or 1.000, in those acres. From the actuarial documents in county X, Producer A elects the 75 percent coverage level and a protection factor of 110 percent or 1.10. The actuarial documents in county X also show that the expected county yield is 141.4 bushels per acre, the projected price is \$4.00, and the expected county revenue is \$565.60. The subsidy factor for the 75 percent coverage level is .55 for revenue coverage and .59 for yield coverage. The loss limit factor is 18 percent or .18. At the end of the insurance period, for county X, FCIC releases a harvest price of \$4.57 and a final county yield for county X of 75.0 bushels.

The premium rate is based on the published volatility factor and for this example is .0166 for Area Revenue Protection, .0146 for Area Revenue Protection with Harvest Price Exclusion, and .0116 for Area Yield Protection.

#### Area Revenue Protection example:

Step 1: Calculate the Dollar Amount of Insurance per Acre

Formula: Expected county yield times projected price times protection factor equals dollar amount of insurance

$141.4 \text{ bushels} \times \$4.00 \times 1.1 = \$622.16$  dollar amount of insurance per acre

Step 2: Calculate the Policy Protection

Formula: Dollar amount of insurance per acre times acres times share equals policy protection  
 $\$622.16 \times 100.0 \times 1.000 = \$62,216$  policy protection

Step 3: Calculate the Total Premium

Formula: Policy protection times premium rate equals total premium  
 $\$62,216 \times .0166 = \$1,033$  total premium

Step 4: Calculate the Subsidy amount

Formula: Total premium times subsidy factor equals subsidy  
 $\$1,033 \times .55 = \$568$  subsidy

Step 5: Calculate the Producer Premium

Formula: Total premium minus subsidy equals producer premium  
 $\$1,033 - \$568 = \$465$  producer premium

Step 6: Calculate the Final Policy Protection

Formula: Expected county yield times (greater of projected price or harvest price) times protection factor times acres times share equals Final Policy Protection

$141.4 \text{ bushels} \times \$4.57 \times 1.10 \times 100.0 \times 1.000 = \$71,082$  final policy protection

Step 7: Calculate the Final County Revenue

Formula: Final county yield times harvest price equals final county revenue

$75.0 \text{ bushels} \times \$4.57 = \$342.75$  final county revenue

Step 8: Calculate the Trigger Revenue

Formula: Expected county yield times (greater of projected price or harvest price) times coverage level equals trigger revenue

$141.4 \text{ bushels} \times \$4.57 \times .75 = \$484.65$  trigger revenue

Step 9: Calculate the Payment Factor

Formula: (Trigger revenue minus final county revenue) divided by (trigger revenue minus (expected county yield times the greater of projected or harvest price times loss limit factor)) equals payment factor

$(\$484.65 - \$342.75) \div (\$484.65 - (141.4 \times \$4.57 \times .18)) = .385$  payment factor

Step 10: Calculate the Indemnity

Formula: Final policy protection times payment factor equals indemnity

$\$71,082 \times .385 = \$27,367$  indemnity

#### Area Revenue Protection with Harvest Price Exclusion example:

Step 1: Calculate the Dollar Amount of Insurance per Acre

Formula: Expected county yield times projected price times protection factor equals dollar amount of insurance

$141.4 \text{ bushels} \times \$4.00 \times 1.10 = \$622.16$  dollar amount of insurance per acre

Step 2: Calculate the Policy Protection

Formula: Dollar amount of insurance per acre times acres times share equals policy protection  
 $\$622.16 \times 100.0 \times 1.000 = \$62,216$  policy protection

Step 3: Calculate the Total Premium

Formula: Policy protection times rate equals total premium  
 $\$62,216 \times .0146 \text{ rate} = \$908$  total premium

Step 4: Calculate the Subsidy amount

Formula: Total premium times subsidy factor equals subsidy  
 $\$908 \times .55 = \$499$  subsidy

Step 5: Calculate the Producer Premium

Formula: Total premium minus subsidy equals producer premium  
 $\$908 - \$499 = \$409$  producer premium

Step 6: Calculate the Final Policy Protection

Use the policy protection amount calculated at the beginning of the insurance period in Step 2  
 $\$62,216$  policy protection

Step 7: Calculate the Final County Revenue

Formula: Final county yield times harvest price equals final county revenue  
 $75.0 \text{ bushels} \times \$4.57 = \$342.75$  final county revenue

Step 8: Calculate the Trigger Revenue

Formula: Expected county yield times projected price times coverage level equals trigger revenue  
 $141.4 \text{ bushels} \times \$4.00 \times .75 = \$424.20$  trigger revenue

Step 9: Calculate the Payment Factor

Formula: (Trigger revenue minus final county revenue) divided by (trigger revenue minus (expected county yield times projected price times loss limit factor)) equals payment factor  
 $(\$424.20 - \$342.75) \div (\$424.20 - (141.4 \times \$4.00 \times .18)) = .253$

Step 10: Calculate the Indemnity

Formula: Final policy protection times payment factor equals indemnity  
 $\$62,216 \times .253 = \$15,741$  indemnity

Area Yield Protection example:

Step 1: Calculate the Dollar Amount of Insurance per Acre

Formula: Expected county yield times projected price times protection factor equals dollar amount of insurance

$141.4 \text{ bushels} \times \$4.00 \times 1.10 = \$622.16$  dollar amount of insurance per acre

Step 2: Calculate the Policy Protection

Formula: Dollar amount of insurance per acre times acres times share = policy protection  
 $\$622.16 \times 100.0 \times 1.000 = \$62,216$  policy protection

Step 3: Calculate the Total Premium

Formula: policy protection times premium rate equals total premium

$\$62,216 \times .0116 \text{ rate} = \$722$  total premium

Step 4: Calculate the Subsidy amount

Formula: Total premium times subsidy factor equals subsidy

$\$722 \times .59 \text{ subsidy factor} = \$426$  subsidy

Step 5: Calculate the Producer Premium

Formula: Total premium minus subsidy equals producer premium

$\$722 - \$426 = \$296$  producer premium

Step 6: Calculate the Final Policy Protection

Use the policy protection amount calculated at the beginning of the insurance period in Step 2  
 $\$62,216$  policy protection

Step 7: Calculate the Trigger Yield

Formula: Expected county yield times coverage level equals trigger yield

$141.4 \text{ bushels} \times .75 = 106.1$  bushels

Step 8: Calculate the Payment Factor

Formula: (Trigger yield minus final county yield) divided by (trigger yield minus (expected county yield times loss limit factor)) equals payment factor

$(106.1 \text{ bushels} - 75.0 \text{ bushels}) \div (106.1 \text{ bushels} - (141.4 \text{ bushels} \times .18)) = .386$

Step 9: Calculate the Indemnity

Formula: Final policy protection times payment factor equals indemnity

$\$62,216 \times .386 = \$24,015$  Indemnity

**31. Correction of Errors.**

(a) In addition to any other corrections allowed in your policy subject to section 31(b), we may correct:

(1) Within 60 days after the sales closing date, any incorrect information on your application or provided by the sales closing date, including identification numbers for you and any person

with a substantial beneficial interest in you, to ensure that the eligibility information is correct and consistent with information reported by you to any USDA agency;

(2) Within 30 days after the acreage reporting date, information reported to reconcile errors in the information with correct information that has been determined by any USDA agency;

(3) Within 30 days of any subsequent correction of data by FSA, erroneous information corrected as a result of verification of information; and

(4) At any time, any incorrect information if the incorrect information was caused by electronic transmission errors by us or errors made by any agency within USDA in transmitting the information provided by you for purposes of other USDA programs.

(b) Corrections may be made but will not take effect for the current crop year if the correction would allow you to:

(1) Avoid ineligibility requirements for insurance or obtain a disproportionate benefit under the crop insurance program or any related program administered by the Secretary;

(2) Obtain, enhance, or increase an insurance guarantee or indemnity if a cause of loss exists or has occurred before any correction has been made, or avoid premium owed if no loss is likely to occur; or

(3) Avoid an obligation or requirement under any Federal or State law.