



United States
Department of
Agriculture

BULLETIN NO.: MGR-08-006

Risk
Management
Agency

TO: All Approved Insurance Providers
All Risk Management Agency Field Offices
All Other Interested Parties

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FROM: Eldon Gould /s/ James Callan, for. April 17, 2008
Administrator

SUBJECT: Practice 997 “No Practice Specified” on Group Risk Plan (GRP) and
Group Risk Income Protection (GRIP) Actuarial Documents

BACKGROUND:

The Risk Management Agency (RMA) has received reports that some believe the practice code 997 “No Practice Specified” appearing on actuarial documents for GRP and GRIP means any production method can be insured without regard to other policy provisions. The reports indicate, for example, insureds in areas that are generally arid were encouraged to switch to a GRIP plan of insurance and plant significant amounts of acreage to non-irrigated corn, when traditionally this has not been a generally recommended practice in the area. Encouraging insureds to plant a crop or employ a practice they normally would not have solely to influence the outcome of any GRP or GRIP payment yield is not in the best interest of the insured, the crop insurance program, or the taxpayer.

These actions damage the integrity of the crop insurance program and, further, can financially harm the insured if the resulting payment yield does not generate a GRP or GRIP indemnity payment.

This bulletin defines Practice Code 997 “No Practice Specified” and provides guidance on its applicability under the Federal Crop Insurance Act, (7 U.S.C. 1501 et. seq.) (Act) and to applicable crop policy provisions.

ACTION:

Section 508(a)(3)(A) of the Act states:

Exclusions.—Insurance provided under this subsection shall not cover losses due to—



The Risk Management Agency Administrators
And Oversees All Programs Authorized Under
The Federal Crop Insurance Corporation

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- ...
- (iii) the failure of the producer to follow good farming practices, including scientifically sound sustainable and organic farming practices.

Section 3 of GRP and GRIP policies state:

- ...
- (c) We will not insure any acreage:
 - (2) Where you have failed to follow good farming practices for the insured crop;
or
 - (i) Planted to a type, class or variety not generally recognized for the area; or
 - (ii) 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);

GRP and GRIP policies define Good Farming Practices as:

The production methods utilized to produce the insured crop 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 the organic agricultural industry for the area or contained in the organic plan that is in accordance with the National Organic Program published in 7 CFR part 205. 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.”

Therefore, Practice Code 997 “No Practice Specified” on county actuarial documents means premium rates for the insurance offer were determined for all planting practices conducted in accordance with generally recognized good farming practices. A producer may only report for insurance the acreage of the insured crop for which they followed recognized good farming practices.

Approved insurance providers (AIPs) should be diligent in assuring insureds have carried out good farming practices for the insured crop for their area, particularly in cases where there has been a significant shift in business to a GRP or GRIP plan of insurance with a Practice Code 997. AIPs should require insureds to provide evidence they followed recognized good farming practices for the insured crop in any case where there is any indication they have not done so. Acreage for which good farming practices were not followed cannot be insured under any practice for any plan of insurance, including Practice Code 997 “No Practice Specified”.

If producers or the AIP cannot determine what constitutes good farming practices, a written request for a good farming practice determination should be made to the RMA Regional Office for the area according to the criteria established in Bulletin No. MGR-05-010.

DISPOSAL DATE:

This bulletin will remain in effect until incorporated into FCIC issued procedures.