



United States
Department of
Agriculture

Risk
Management
Agency

1400
Independence
Avenue, SW
Stop 0801
Washington, DC
20250-0801

INFORMATIONAL MEMORANDUM

TO: All Reinsured Companies
All Risk Management Field Offices
All Other Interested Parties

FROM: Eldon Gould /s/ *Eldon Gould* 4/17/2006
Administrator

SUBJECT: CLAIMS ALERT - Destroying Insured Acreage Without Consent

The Risk Management Agency (RMA) has received reports indicating that certain insured's have destroyed acreage of an insured crop with an inadequate stand and replanted the same crop or planted a different crop with higher liability without insurance provider appraisal and consent. Reports also indicate that some approved insurance providers (AIPs) are appraising and releasing non-emerged acreage.

RMA has received indications that insureds have been incorrectly advised they can do anything they want with such acreage prior to the final planting date. Reports are that insureds have replanted or are replanting affected acreage into seedbeds that have very limited to no moisture to better assure non-emergence or germination and destroying the existing emerged crop.

RMA recognizes producers must make management decisions including changing their crop. However, the AIP must approve decisions affecting insured crops on insured acreage, such as replanting or destroying the crop to plant another crop.

The following policy provisions apply to the 2006 crop year:

- In accordance to the definitions contained in Section 1 of the Common Crop Insurance Policy Basic Provisions (Basic Provisions), **coverage begins** on the **insured crop**, as contained in the Crop Provisions; on the **date planting begins** on the unit.
- In accordance with Section 14 (b) of the Basic Provisions, insureds **are required** to **obtain consent** from their insurance provider before destroying any of the **insured crops, putting the acreage to another use** or abandon any portion of the insured crop. We (insurance providers) **will not give consent** for any of these actions **until** we have **made an appraisal** of the **potential production** of the crop.



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

An Equal Opportunity Employer

- Putting insured acreage to another use includes planting the acreage to another crop or leaving the acreage fallow for the remainder of the crop year.
- The Basic Provisions, section 7(a) provides that the annual premium is earned and payable at the time coverage begins. An indemnity may only be claimed on a crop if it is determined that an insured cause of loss was present, and the insured crop suffered an unavoidable loss of production potential or value from such insured cause of loss. The management decision to plant a different crop is not an insured cause of loss.
- The Federal crop insurance policy requires that not less than the production guarantee be assigned as production to count for insured crop acreage that is abandoned, put to another use without consent, or damaged solely by uninsured causes.

Insurance providers must also determine producers used good farming practices with the insured crop. When a second insured crop is planted on the acreage, insurance providers must determine if the destruction of the first crop and planting of the second insured crop:

- Depleted the already limited soil moisture to the extent that the second insured crop could not make normal progress toward maturity and produce the APH yield;
- Did not adversely affect the yield of the second crop; and
- Is generally recognized practice by agriculture experts in the area.

A decision that the producer did not follow good farming practices requires an assessment of uninsured causes of loss.

The Federal Crop Insurance Act (7 U.S.C. 1501 et. seq.) does not allow insurance to attach to a third crop planted on the acreage to be insured.