

Natural Gas Pipeline

Recently an issue has been raised concerning losses due to the construction of a natural gas pipeline across the region served by the Topeka Regional Office during the 2007 crop year. The Risk Management Agency staff has discussed this issue in an effort to accurately interpret the manner in which our regulations and policies allow us to treat a unique situation such as this. The Department of Agriculture and RMA make every effort to provide agriculture producers an adequate safety net for weather-related events that negatively impact crop production and financial security. RMA is also required to operate within its authorizing statutes and regulations.

Insurance coverage for loss of irrigation water supply must be attributed to naturally occurring events that fall within the insurance period. Loss of irrigation water supply caused by third parties is not insurable. RMA currently has no provision or regulation that allows it to treat uninsurable losses due to a third party activity separately from other uninsured losses. If an appraisal was not conducted on the acreage prior to destruction, the total production to count from the remainder of the unit will be applied as the actual production history (APH) for the entire unit. If the entire unit was impacted by the action of a third party and no appraisal was conducted, the Approved Insurance Provider would be required to assess uninsured causes of loss that can be attributed to the third party. In these cases, the actions would have an adverse impact on 2008 and future APH yields since policy and procedure provisions do not allow production assessed due to uninsured causes of loss to be used in the APH yields.

However, if the producer reported to the company the acreage or a portion of the acreage would be destroyed and the company appraised the acreage prior to destruction then that appraisal would be included in production to count. In this case, the producer's APH would not be negatively impacted by the action of the third party. This appraisal would only account for the portion of the unit where the construction of the pipeline physically destroyed the crop. The remaining portion of the unit that was not physically impacted by the construction but experienced interruption of irrigation would not be included in this appraisal. Whatever production is harvested from that portion would be included in the production to count for the rest of the unit. The policies applicable to uninsured loss and APH procedures are contained in the 2007 Crop Insurance Handbook, section 10D. According to construction-firm representatives, their settlements with insureds take into account reduction in yields in future years due to disturbance of the soil as well as any negative impact of production losses on APH records.

If you have questions, please contact:

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