



United States
Department of
Agriculture

Risk
Management
Agency

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BULLETIN NO.: MGR-06-004

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

FROM: Eldon Gould /s/ *Eldon Gould* 3/17/2006
Administrator

SUBJECT: Individual Entities-Spousal Reporting Requirements

BACKGROUND:

The Risk Management Agency (RMA) has received concerns regarding reduced or loss of coverage to individuals bearing a risk of financial loss due to their inadvertent failure to report a change of marital status or the death of a spouse.

Section 2(b) of the Common Crop Insurance Policy Basic Provisions (Basic Provisions) requires the insurance application to contain the applicant's, or insured's, social security number (SSN) and the SSN of all persons with a substantial beneficial interest (SBI) in the applicant, or insured. It also states that a spouse of an applicant, or insured, has a SBI in the applicant or insured unless the spouses are legally separated or are considered separate under state law. The applicant or insured must report their spouse's SSN by the sales closing date (SCD) for the crop. If the insured fails to report a spouse's SSN, coverage will be reduced proportionately by the interest of the spouse in the insured and the insured must repay the amount of indemnity, prevented planting payment, or replant payment in proportion to the interest of the spouse.

RMA has been advised that several insureds were married prior to the SCD for the crop year and did not advise the AIP of the change in marital status which requires the new spouse's SSN. AIPs have indicated that it is unreasonable to expect the insured to advise them of the new spouse by the SCD and this issue is further complicated because the policy is continuous for carryover insureds. The spousal requirement can result in reduced coverage of 50 percent which is unduly harsh when the unreported information was merely an oversight and the unreported spouse is eligible to participate in Federal programs.



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

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Section 2(g) of the Basic Provisions provides that the policy shall terminate on the date an applicant or insured dies, disappears, or is judicially declared incompetent. If such an event occurs after coverage attaches for the crop year, the policy continues through the crop year and terminates at the end of the insurance period, and any indemnity will be paid to the person(s) beneficially entitled to the indemnity. However, Section 2(g) of the Basic Provisions further provides that if coverage has not begun, the policy terminates which requires the surviving spouse to submit a new application by the SCD in order to obtain coverage for crops in which the spouse holds an interest. AIPs have informed RMA in some instances, the surviving spouses failed to contemplate the necessity to submit a new application to change the name on the policy when the spouses death occurred prior to the SCD, resulting in the loss of insurance coverage for the crop year. AIPs and insureds have stated it is unreasonable to expect a spouse to have contemplated the requirement to submit a new application [when they were identified on the spousal policy] and to have the forethought of the need to have requested a new policy at such a difficult time. AIPs and insureds have requested RMA consider providing reasonable relief for spousal reporting requirements.

ACTION:

The effect of sections 2(b) and 2(g) of the Basic Provisions on new spouses or the surviving spouse may be harsh when marriage or death occurs on or prior to the sales closing date. Because it is a term and condition of the policy, RMA does not have the authority to change such term or require the AIPs to grant relief. However, RMA will not take any adverse action against AIPs if they elect to grant relief for the situations below.

- (1) If AIPs elect not to reduce coverage on carry-over policies for the current crop year where the marital status of an insured changes on or after the previous crop year's SCD for the insured crop when:
 - a. It is unreasonable to expect the insured to have known or contemplated the need to advise the AIP of the change due to the timing of such event;
 - b. There is no indication of intent to commit fraud;
 - c. The unreported spouse is eligible for insurance;
 - d. The unreported spouse is added as a SBI to the insured's policy and the entity type of the policy changed to a spousal entity type; and
 - e. The unreported spouse is added prior to any insurance payment being made under the policy.

- (2) If AIPs elect to continue coverage for a surviving spouse on a carry-over policy where the death of the insured spouse occurs on or before the SCD, when:

- a. It is unreasonable to expect the surviving spouse to have known or contemplated the need to advise the AIP of the death of the named insured due to the timing of such event;
- b. There is no indication of intent to commit fraud;
- c. The insured name and identification number on the policy is changed to the name and identification number of the surviving spouse and the entity type of the policy changed to an individual entity by completing a successor in interest application, provided the surviving spouse is eligible for coverage and has an insurable share in the crop after the death of the former policyholder; and
- d. The surviving spouse was listed as a SBI on such policy, unless the exceptions in (1) above apply.

The surviving spouse will be required to use all existing years of actual production history (including non-actual yields and assigned yields).

DISPOSAL DATE:

This bulletin is for transmitting information. It will remain in effect until rescinded, revised, or upon publication of superseding procedures or regulations.