

**IN THE UNITED STATES BANKRUPTCY COURT  
WESTERN DISTRICT OF MISSOURI**

<b>In re:</b>	)	<b>In Proceedings Under Chapter 11</b>
	)	
<b>FARMLAND INDUSTRIES, INC., et al.,</b>	)	<b>Case No. 02-50557-jwv</b>
	)	<b>Joint Administration</b>
<b>Debtors.</b>	)	

**EMERGENCY MOTION SEEKING AUTHORIZATION TO ASSUME  
INSURANCE AGREEMENT AND EXTEND COVERAGE WITH NATIONWIDE**

The above-captioned Debtors and Debtors-in-Possession (collectively, the “Debtors”), by and through their attorneys, for their Motion Seeking Authorization to Assume Insurance Agreement and Extend Coverage with Nationwide (the “Motion”), respectfully state as follows:

1. On May 31, 2002 (the “Petition Date”), the Debtors filed voluntary petitions in this Court for reorganization relief under Chapter 11 of Title 11 of the United States Code, 11 U.S.C. §§ 101-1330, as amended (the “Bankruptcy Code”). The Debtors continue to operate their businesses and manage their properties as Debtors in possession pursuant to Sections 1107(a) and 1108 of the Bankruptcy Code.

2. This Court has jurisdiction over this Motion pursuant to 28 U.S.C. §§ 157 and 1334 and the Amended General Order of the United States District Court for the Western District of Missouri as amended. Venue of this case and motion in this district is proper pursuant to 28 U.S.C. §§ 1408 and 1409.

3. Debtor Farmland Industries, Inc. (“Farmland”), a Kansas corporation headquartered in Kansas City, Missouri, is organized and operated as a cooperative system of agricultural and food related businesses. Farmland, in conjunction with other Debtor facilities and other non-debtor consolidated subsidiaries (a) manufactures and markets fertilizer,

(b) operates a petroleum refinery, (c) operates an integrated food and food processing business, (d) engages in the wholesale and retail farm supply business, and (e) engages in the transportation brokerage business.

4. Given the nature of the Debtors' businesses, it is necessary to have in place comprehensive insurance coverage for all the Debtors' operations to protect the Debtors and their assets.

5. Pursuant to this Court's first day order, Debtors are authorized to continue their workers' compensation programs and to honor their obligations thereunder.

6. In September of 2002, Debtors entered into an insurance agreement whereby Nationwide Agribusiness Insurance Company ("Nationwide") agreed to continue certain coverage to the Debtors for workers' compensation coverage. Nationwide required a \$2.1 million letter of credit to secure the insurance obligations through November 30, 2002.

7. Debtors' coverage for workers compensation, general liability and auto liability is due to expire on November 30, 2002. Nationwide and Nationwide Mutual Insurance Company (hereinafter collectively "Nationwide") have agreed to renew the coverages for an additional year under certain terms and conditions. Nationwide requires a replacement \$8.2 million letter of credit (the "Letter of Credit") to recover any claims that Nationwide has to pay within the retentions or deductibles under the policies, both pre- or post-petition claims.

8. Additionally, there are certain pre-petition arrearages due and owing to Nationwide pursuant to an accounting that is to be done at the end of the coverage period as well as certain unpaid post-petition premiums. Historically, the parties cooperate on the annual audits and ultimately agree to appropriate arrearage. Nationwide asserts the sum owing is approximately \$150,000. Debtors dispute said amount, however Debtors agree that they will pay

whatever amounts the parties eventually determine to be appropriate arrearages, or whatever amount the Court deems to be appropriate, if the parties cannot agree.

9. Generally the Debtors retain all general liability losses under a \$2 million retention, a half million dollar retention per occurrence with respect to auto liability losses, and a half million dollar deductible per occurrence as to workers compensation claims. It is predictable losses such as these that cause Nationwide concern over its ongoing liability, especially in the context of workers' compensation claims. The Letter Of Credit demand is based upon presently outstanding workers compensation claims plus expected future claims accrual.

10. Debtors have canvassed the insurance market and have employed the services of Marsh USA in an attempt to find competitive insurance for the services currently provided by Nationwide. Nationwide remains the most competitive insurance provider for the coverages Debtors require. The Debtors believe that the total amount required is consistent with the combined outstanding plus expected losses.

11. It is essential to avoid immediate and irreparable harm to the Debtors' businesses and cash flow that the Debtors immediately obtain the requested authority to issue such letter of credit as is required to protect the estates' assets. Any disruption in insurance for even a few days could result in an immediate and severely adverse impact on the Debtors' assets should an event of loss occur during an uninsured period. Furthermore, Debtors would not be allowed to continue operations without workers compensation insurance to meet statutory requirements.

12. Entering into a renewal of their insurance, payment of the pre-petition arrearage, and posting of the Letter of Credit in favor of Nationwide is an appropriate exercise of Debtors' business judgment and is in the best interests of the Debtors' estate and creditors.

13. This motion is being filed under exigent circumstances. Debtors respectfully request that the hearing of this Motion be set on the next docket, which is scheduled for November 19, 2002.

WHEREFORE, for the foregoing reasons, Debtors respectfully request that this Court enter its order authorizing Debtors to (1) assume their existing insurance policies with Nationwide, (2) provide Nationwide with an \$8.2 million clean letter of credit (replaces the 2.1 LOC not in addition to) to be available to Nationwide to cover any claims it may have to pay, whether pre- or post-petition, (3) enter into continuations of their existing insurance policies with Nationwide for a one year period, and (4) for such other and further relief as the Court deems just and proper.

Respectfully submitted,

FARMLAND INDUSTRIES, INC., ET AL.

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**CERTIFICATE OF SERVICE**

The undersigned hereby certifies that a copy of the foregoing Motion Seeking Authorization to Assume Insurance Agreement and Extend Coverage with Farmland Insurance Company was served on all parties not receiving electronic notice, on this \_\_\_\_ day of November, 2002.

\_\_\_\_\_/s/ Cynthia Dillard Parres