

SUGARCANE GROUP RISK PLAN INSURANCE STANDARDS HANDBOOK

**Sugarcane
2009 and Succeeding Crop Years
Handbook Number 20090**

**SUGARCANE GROUP RISK PLAN (GRP)
INSURANCE STANDARDS HANDBOOK
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1. INTRODUCTION

This handbook identifies the procedural requirements for servicing Sugarcane Group Risk Plan of insurance (GRP) policies in a uniform and timely manner. These procedures, which include the application, acreage report and claim instructions, supplement the general (not crop-specific) procedures, forms, and manuals for loss adjustment identified in the Loss Adjustment Manual (LAM).

- A.** The Group Risk Plan of insurance is a risk management tool offered by the Federal Crop Insurance Corporation (FCIC) as an alternative program to the Actual Production History (APH) plan of insurance.
- B.** This Handbook provides (with the Group Risk Plan Basic Provisions and the Group Risk Plan Crop Provisions for Sugarcane) the information needed for those involved with GRP. Because of the broad scope of information covered by this handbook, references are made to other handbooks, procedures, or the GRP policies as appropriate.

2. SPECIAL INSTRUCTIONS

This handbook remains in effect until superseded by reissuance of either the entire handbook or selected portions (through slip-sheets or bulletins). If slip-sheets have been issued for a handbook, the original handbook as amended by slip-sheet pages shall constitute the handbook. A bulletin can supersede either the original handbook or subsequent slip-sheet.

A. DISTRIBUTION

The following is the minimum distribution of forms:

- (1) One legible copy to the insured.
- (2) The original and all remaining copies as instructed by the insurance provider.

(It is the insurance providers' responsibility to maintain original insurance documents relative to policyholder servicing as designated in their approved plan of operations.)

B TERMS, ABBREVIATIONS, AND DEFINITIONS

- (1) Terms, abbreviations, and definitions that are general (not crop specific) to loss adjustment are identified in the LAM.

(2) Terms, abbreviations, and definitions specific to GRP and this handbook, which are not defined in this section, are defined as they appear in the text.

Expected risk area yield	The average pounds of sugar per acre determined for the risk area from the most recent five risk area annual yields available after eliminating the highest and lowest yields.
Net Acres	The planted acreage of the insured crop multiplied by the insured's share.
Payment Calculation Factor	For the purpose of calculating an indemnity payment, subtract the payment yield from the insured's trigger yield and divide the result by the insured's trigger yield.
Plant Cane	The insured crop which grows from seed planted for the crop year.
Policy Protection	The dollar amount of protection per acre multiplied by the net insured acreage for each practice and type shown on the actuarial documents.
Risk Area	An area comprised of one or more counties in which the expected county yield and payment yield apply to all counties included in the risk area. The risk area is shown on the actuarial documents for each county.
Risk Area Annual Yield	The annual average yield of sugar per acre for a risk area determined by calculating the following for each specific year: 1) Multiplying NASS reported tons of harvested sugarcane by the percent sucrose for each county in the risk area to determine the tons of sucrose per county; 2) Totaling the result of step 1 for all counties to determine the tons of sucrose for the risk area; 3) Multiplying the result of step 2 by 2,000 to determine the tons of sucrose for the risk area; and 4) Dividing the result of step 3 by the total planted sugarcane acres reported in the FSA Acreage and Yield Report to determine the sucrose per acre for the risk area for the same year.
Stubble Cane	The insured crop which grows from the stubble of sugarcane that was harvested the previous crop year.

(3) Abbreviations:

APH	Actual Production History
CAT	Catastrophic Risk Protection
FCIC	Federal Crop Insurance Corporation
FSA	Farm Service Agency
GRP	Group Risk Plan
MPCI	Multiple Peril Crop Insurance

3. INSURANCE CONTRACT INFORMATION

A. GENERAL INFORMATION

GRP coverage is based on the experience of the RISK AREA or COUNTY rather than INDIVIDUAL FARMS. It indemnifies each insured in the event the payment yield falls below the insured's trigger yield. FCIC will issue the payment yield following the end of the crop year insured. (The Group Risk Plan Crop Provisions for Sugarcane contain the date the payment yield will be issued.)

B. INSURABILITY

The insurance provider must determine that the insured has complied with all policy provisions of the insurance contract. Sugarcane GRP provisions which are to be considered in this determination include (but are not limited to):

- (1) GRP is available ONLY in the states and counties listed on the actuarial documents.
- (2) GRP is a continuous contract unless canceled in writing by either the insured or the insurance provider by the cancellation date.
- (3) More than one GRP offer (the practices and/or types listed for sugarcane in the actuarial documents for the county) may be available in a county. If more than one offer (practice and/or type) is available in a county, the insured must insure ALL of his/her sugarcane under the respective offer (practice and/or type) actually carried out.
- (4) GRP coverage consists of the following requirements:
 - (a) Coverage is to be provided in accordance with the terms of the Group Risk Plan Basic Provisions and the Group Risk Plan Crop Provisions for Sugarcane as applicable.
 - (b) Unless otherwise specifically allowed by the Group Risk Plan Crop Provisions for Sugarcane or Special Provisions, an insured producer CANNOT insure sugarcane in the same crop year through any other federally subsidized multiple peril crop insurance program in counties where they carry sugarcane GRP coverage.

Exception - GRP policyholders may insure sugarcane in the same county and crop year under an Adjusted Gross Revenue (AGR) policy.

- (c) Catastrophic Risk Protection (CAT) coverage is **not** available for GRP Sugarcane. Refer to the actuarial documents.
- (d) Protection is limited to the maximum protection per acre shown on the actuarial documents.
- (e) For each GRP offer (practice/type):
 - 1 Indemnity payments are calculated independently and are not offsetting.
 - 2 The insured must choose a percent of coverage.
 - 3 The insured must choose a coverage level.
 - 4 The insured must report, by the acreage reporting date, ALL acreage of the crop in the county (insurable and not insured) in which the insured has an interest, by share and practice/type.
- (5) Acreage destroyed as a criterion for participation in any other government program is not insurable and must be deleted, by a revised acreage report, if such acreage was previously reported as insurable.
- (6) Acreage on which the insured has failed to follow good farming practices for the insured crop will not be insured.
- (7) Applicants are required to sign a disclaimer form at the time of application. Refer to the blank disclaimer form at the end of this handbook.
- (8) The following coverage's DO NOT apply to GRP:
 - (a) Hail and fire exclusion provisions;
 - (b) High-risk land exclusion provisions;
 - (c) Late planting provisions;
 - (d) Replant requirements;
 - (e) Replanting payment provisions;
 - (f) Prevented planting provisions;
 - (g) Experience adjustment factors; or
 - (h) Optional, basic, whole farm, or enterprise unit provisions.

C. INSURABILITY BY CROP

- (1) Refer to the Group Risk Plan Crop Provisions for Sugarcane for specific definitions (i.e. - harvest, planted acreage, etc.)
- (2) For GRP Sugarcane , the insured crop will be all the sugarcane:
 - (a) Grown on insurable land in the county or counties listed on the accepted application;
 - (b) Properly planted and reported by the applicable reporting date;
 - (c) Planted for harvest as sugar or seed; and
 - (d) Not interplanted with another crop, unless allowed by a written agreement.

D. COVERAGE AVAILABLE

- (1) GRP coverages are expressed in dollar and cents. Insureds may select any amount of protection from 60 through 100 percent of the maximum protection per acre shown on the actuarial documents, with the exception of CAT coverage:
- (2) The expected county yield multiplied by the coverage level percentage elected by the insured equals the insured's trigger yield.
- (3) The National Agricultural Statistics Service (NASS) yield data, as adjusted by FCIC, are used to establish the expected county yield. On a county basis, either harvested acreage or planted-acreage-NASS-data, adjusted for yield trends, are used to establish the expected county yield.
- (4) For GRP sugarcane, counties may be combined to form a risk area. The expected county yield equals the expected risk area yield. The annual average yield of sugar per acre for a risk area is determined by: 1) Multiplying NASS reported tons of harvested sugarcane by the percent sucrose for each county in the risk area to determine the tons of sucrose per county; 2) Totaling the result of step 1 for all counties to determine the tons of sucrose for the risk area; 3) Multiplying the result of step 2 by 2,000 to determine the tons of sucrose for the risk area; and 4) Dividing the result of step 3 by the total planted sugarcane acres reported in the *FSA Acreage and Yield Report* to determine the sucrose per acre for the risk area for the same year.
- (5) Premium rates are stated in dollars per one hundred dollars of protection.

EXAMPLE:

If the premium rate is \$1.20 per hundred and the protection per acre is \$225, the premium per acre is \$2.70 ($1.20 \div 100 \times \225).

- (6) The Group Risk Plan Worksheet for blank forms) may be copied for use in explaining GRP.

E. YIELD HISTORY AND PRODUCTION RECORDS

Insureds are NOT required to report yield history or maintain production records for GRP. However, they are encouraged to maintain individual crop yield and acreage history for possible future use in a plan of insurance that uses APH yields for the same crop.

- (1) GRP participation will NOT break the experience continuity for premium adjustment purposes of the APH plan of insurance. Any APH experience adjustment will be reinstated when the individual GRP crop contract is canceled and an application for a plan of insurance, that uses APH yields for the same crop, is signed.
- (2) If GRP insureds return to a plan of insurance that uses APH yields for the same crop, their APH yield history database will be updated ONLY if continuous crop production reports (including the period insured under GRP) are filed when returning to such a plan. Failure to file the most recent year's crop production report, on an optional unit basis, may limit the insured's choices regarding optional units under the selected plan of insurance.

F. ROUNDING RULES

- (1) Acres to tenths (X.X);
- (2) Pounds to whole pounds (X);
- (3) Tons to tenths (X.X);
- (4) Bushels to tenths (X.X);
- (5) Share and factors to thousandths (X.XXX);
- (6) Dollars to dollars and cents (X.XX);
- (7) Payment calculation factor to thousandths (X.XXX).

G. PAYMENT CALCULATIONS

- (1) Except as for sugarcane in paragraph 3D(4), the "expected county yield" shown on the actuarial document represents an average of annual NASS county yields as adjusted by FCIC for yield trends.

- (2) The insured receives a payment if the county's payment yield falls below the insured's trigger yield. The amount of payment is determined by multiplying the policy protection times the payment calculation factor. Refer to the Group Risk Plan of Insurance Basic Provisions for a detailed example of payment calculations.
- (3) Any unpaid (billed) amounts due the insurance provider arising from GRP, or participation in any other plan of insurance (except for AGR) are to be deducted from payments owed to the insured. Refer to the Special Provisions for the appropriate billing dates.

4. UNDERWRITING AND LOSS ADJUSTMENT

A. FORMS AND PROCEDURES

The following forms are used to administer GRP Sugarcane:

- (1) **Special Report.**
- (2) **Application.** Refer to B and C of this section.
- (3) **Contract Changes form.**
- (4) **Disclaimer.** Refer to a blank copy of the GRP Disclaimer at the end of this handbook.
- (5) **Policy Confirmation.**
- (6) **Annual Report.**
- (7) **Acreage Report.** Refer to D and E of this section for acreage report requirements and F, G, and H of this section for review requirements.
- (8) **Schedule of Insurance.** Refer to I of this section.
- (9) **Assignment of Indemnity.**
- (10) **Transfer of Right to an Indemnity.** A Transfer of Right to an Indemnity for GRP must be made during the crop year for the affected crop. This is to ensure that any indemnity payments are made to the proper entity. The form should indicate that the contract covers the share transferred only to the end of the current crop year for the specific crop.

- (11) **GRP Actuarial Documents include the County Coverage and Rate Table (FCI-35) and Special Provisions.** The GRP County Coverage and Rate Table and Special Provisions contain county actuarial data that includes the following GRP-specific information: Expected County Yield; Maximum Protection/Acre and Price Election; Maximum Subsidy Amount; Limited Subsidy Amount ; Trigger Yields; Unsubsidized Rates; applicable Practices and Types (GRP offer number(s)), and the dollar figure at or above which the maximum subsidy applies for the respective coverage level.
- (12) **Power of Attorney.**
- (13) **Notice of Indemnity Payment.** Refer to J and K of this section for indemnity payment form requirements and notice of indemnity payment requirements.
- (14) **Group Risk Plan Worksheet.** Refer to pages for a blank copy of the worksheet.

B. GENERAL APPLICATION REQUIREMENTS

- (1) Sales Closing Dates - Shown on the Special Provisions.

Insured producers switching insurance coverage from an MPCl policy (APH, Crop Revenue Coverage, Income Protection, Revenue Assurance, Group Risk Income Protection Plans, etc.) to a GRP policy must provide a written cancellation for the other MPCl policy, for the crops that will be insured under GRP, by the crop cancellation date. A new application for insurance must be signed by the GRP crop sales closing date. If the MPCl policy for the crop that will be insured under GRP is not canceled, the MPCl coverage will remain in effect and the GRP crop coverage will be void. (Refer to section 3B4(b) for exception.) Refer to the CIH for additional information.

- (2) Late-Filed Applications - Accepted ONLY when there is documented evidence that:
- (a) The primary reason for the application being late filed is the action or inaction of an insurance provider agent or employee; or
 - (b) It was the producer's intent to make timely application, but circumstances beyond that persons control prevented them from doing so.
- (3) **Levels of Coverage** - 70, 75, 80, 85, or 90 percent. For additional coverage GRP policies, the insured may select any percentage of coverage shown on the actuarial documents for the crop, practice and type. The applicant may choose a different level of coverage for each GRP crop, or

GRP practice and/or type (each GRP offer number). Refer to the Group Risk Plan of Insurance Basic Provisions.

- (4) **Eligible Counties** - Eligible counties are listed on the actuarial documents. Multiple county contracts may be insured, but land physically located in a county will be subject to that county's actuarial documents; the county name(s) or county code number(s) must be shown on the application.
- (5) **Insurable Acreage** - Only GRP crop acreage planted for the insurable use, reported by the acreage reporting date listed in the Special Provisions, and grown in counties listed in the actuarial documents is insurable at the time of filing the acreage report.
- (6) **Dollar Amount of Protection per Acre** - Any dollar and cent amount per acre from 60 through 100 percent of the maximum protection per acre specified on the actuarial documents. The applicant must choose a dollar amount of protection for each GRP offer.
- (7) **Policy Protection** - The dollar and cent amount the insured will receive if the payment yield is zero. It is equal to the insured's protection per acre times the insured's NET acres of sugarcane.
- (8) **Mandatory Disclaimer Form.** This is a required form prepared by the agent when a GRP application is completed. The agent and applicant must sign and date a disclaimer form for EACH GRP crop being insured when the insurance application is signed. Refer to the blank disclaimer form at the end of this handbook.

C. APPLICATION FORM REQUIREMENTS

All GRP applications must contain AT LEAST the following information:

- (1) **Applicant:**
 - (a) First name/initial, middle name/initial, and last name.
 - (b) Mailing address, city or town, state, and zip code.
 - (c) Area code and telephone number.
 - (d) Social Security Number (SSN) or Employer Identification Number (EIN). Persons and/or entities with 5 percent or more interest in the insurable entity must report their name, address, phone number, and SSN/EIN number type and entity type on a "Social Security Number (SSN) and Employer Identification Number (EIN) Reporting Form" approved by FCIC.

- (e) Applicant's signature and date application is signed (applicant's signature must match the name entry in item 1(a), above).

(2) **Agent or Service Office:**

- (a) Agent or agency office name servicing the policy.
- (b) Mailing address, city or town, state, and zip code.
- (c) Area code and telephone number.
- (d) Agent code number as issued by the insurance provider.
- (e) Agent's signature and date the application is signed.

(3) **Insurance Provider's Name:** Include the insurance provider's name on the application if not preprinted on the form.

(4) **State Name:** State name and, if required by insurance provider, the corresponding two-digit code number shown on the actuarial documents where the acreage is located and is to be insured.

(5) **County Name:** List the name of each county and, if required by the insurance provider, the corresponding three-digit code number shown on the actuarial documents where the acreage is located and is to be insured.

(6) **Policy/Contract number:** Insured's assigned policy number.

(7) **Effective Crop Year:** Appropriate four-digit year, such as "YYYY," as defined in the policy.

(8) **Crop Name and Plan of Insurance Code Number:** Name of the insured GRP crop and the three-digit plan of insurance code number as listed in the actuarial documents.

(9) **Coverage Level:** Two-digit coverage level percent elected by applicant for each GRP offer (practice and/or type).

(10) **Dollar Amount of Protection Per Acre:** Insured's dollar and cent amount of protection elected for each GRP offer, from 60 through 100 percent, (45 percent in the case of CAT coverage) of the maximum protection per acre listed in the actuarial documents.

(11) **Practice and/or Type Code:** Three-digit practice and/or type code shown on the actuarial documents.

D. GENERAL ACREAGE REPORTING REQUIREMENTS

- (1) Insurance providers must obtain an annual report of acreage from ALL GRP insureds.
- (2) GRP acreage and any other crops insured under other MPCl plans of insurance must be reported separately.
- (3) Acreage report data must be timely and properly submitted by insurance providers to FCIC as stated in the Standard Reinsurance Agreement.
- (4) Acreage reporting dates are shown on the Special Provisions. The acreage report must be received by the agent each year on or before the acreage reporting date shown on the Special Provisions. If the acreage reporting date falls on a Saturday, Sunday, or legal holiday, then the date by which the crop acreage must be reported will be extended to the next business day.
- (5) Late-filed acreage reports (initially received at the agent's office after the specified acreage reporting date) will be either accepted or rejected by the insurance provider ON A COUNTY BASIS.
- (6) Corrected/revised acreage reports may be taken prior to the published acreage reporting date for any reason. After the published acreage reporting date, a corrected acreage report may be completed at the insurance provider's discretion and identified as "Revised" if the correction affects the Schedule of Insurance.

E. ACREAGE AND ANNUAL REPORT FORM REQUIREMENTS

Insurance providers may utilize unused columns of their FCIC-APPROVED acreage report form to accommodate required entries. All GRP acreage must contain AT LEAST the following information:

- (1) **State Name:** As shown on the actuarial documents.
- (2) **County Name:** As shown on the actuarial documents.
- (3) **Policy/Contract Number:** Insured's assigned policy number (may include the numeric state and county code).
- (4) **Crop Year:** Crop year, as defined in the policy, e.g., YYYY.
- (5) **Insured's Name and Address:** Insured's complete name and address as shown on the application.

- (6) **Insurance Provider's Name:** If not preprinted on the acreage report.
- (7) **Agent/Agency Servicing Office:** Servicing agents or agency's complete name, address, and phone number.
- (8) **Name of Crop:** Crop name as shown on the actuarial documents.
- (9) **Insured Acres:** All insurable gross acres, to tenths of an acre, for the selected offer (practice and/or type) shown on the actuarial documents. This includes all acreage physically located in the county, planted to the insurable crop, and reported on or before the acreage reporting date. GRP coverage is by county but multiple counties may be reported on a single acreage report, if such a report has been previously approved by the insurance provider.
- (10) **Uninsured Acres:** Report ALL uninsured acreage (estimated or actual number of gross acres, to tenths of an acre) of the crop planted in the county by share, practice and/or type, as applicable. Uninsured acreage may be documented in the uninsured acreage/remarks section of the acreage report.
- (11) **Insured Share:** Insured's share expressed as a 3 place decimal. Differing GRP insured crops, crop shares, and practices or types shown on the actuarial documents, as applicable, require separate acreage report line entries. ALL ACREAGE WITH THE SAME SHARE AND PRACTICE AND TYPE (GRP OFFER), REGARDLESS OF NAME OF OTHER PERSON(S) SHARING IN THE CROP, CAN BE ENTERED ON A SINGLE LINE OF THE REPORT. The share of the spouse and dependent children IS TO BE INCLUDED under the named insured's share. (Refer to the Group Risk Plan of Insurance Basic Provisions or Group Risk Plan Crop Provisions for Sugarcane for exceptions).
- (12) **Expected County Yield:** Expected county per-acre yield is shown on the actuarial documents.
- (13) **Coverage Level:** Coverage level percent elected by the insured from those shown on the actuarial documents for the insured crop and GRP offer number (practice and/or type.)
- (14) **Practice and/or Type Code:** Practice and/or type code as shown on the actuarial documents for each line for all acreage for which a practice or type code is specified. Record as a three digit number; e.g., practice code "002," and type code "011." Use "997" for each line for all acreage for which no practice or type is specified.

- (15) **GRP Offer Number:** Practice and/or type code as shown on the actuarial documents for each GRP-insured crop. Record as a five-digit number in the column "Unit Number." If a type number is specified, record its number as; e.g., type code "00011." If a separate practice code is specified, e.g., practice code "002," then enter "00002." For a combination of type and practice codes, record the number as "01102" with the type code being recorded in the first three positions and the practice code in the last two positions. Use "00997" for each line for all acreage in the county for which no practice or type is specified.
- (16) **Insured's Signature and Date:** Insured's signature and the month, day and year the acreage report was signed by the insured.
- (17) **Agent Code Number:** As issued by the insurance provider.
- (18) **Agent's Signature and Date Signed:** Agent's signature and the month, day and year the acreage report was signed by the agent.

F. ACREAGE REPORT REVIEW SELECTION

Insurance providers must perform acreage report field reviews **no later than 120 days after the reporting date** for the crop, as shown on the actuarial documents. Such reviews must be completed prior to the destruction of the crop residue. Acreage report reviews are required for:

- (1) All policies of employees of the insurance provider/FCIC or representatives, adjusters, agents, etc:
- (2) All policies for which misrepresentation or concealment of material facts is suspected;
- (3) All late-filed acreage or annual reports;
- (4) All unreported acreage or annual reports;
- (5) All "zero" acreage or annual reports with; and
- (6) **Not less than** a 3-percent random sample by crop for all GRP crop policies with reported acreage (which were not selected in (1) through (5) above). Where policies have been selected that have multiple GRP crops, the reviewer may verify the acreage report information for the other crops. Such verifications will apply toward the required reviews for that company for those crops, even though such reviews were not random.

G. ACREAGE OR ANNUAL REPORT REVIEW CRITERIA

Acreege or Annual report reviews verify actual versus reported acreege (including uninsured acreege).

(1) Actual versus reported acreege (including not insured acreege).

(2) Insurable interest/share in the crop.

(3) Insurability of the acreege (GRP insurable crop, type, and/or practice as specified in the actuarial documents) located within the county, and planted and reported on or before the published acreege reporting date.

H. ACREAGE REPORT REVIEW SUMMARY

Thirty days prior to the date FCIC releases the Payment Yield for the insured crop, the insurance provider must submit a written summary of its completed GRP acreege report reviews (refer to section 4F) to the FCIC Compliance Division, Washington, D.C. The summary must identify, separately by category listed in section 4G, any discrepancies found from that originally reported. Acreege and annual reports are considered to be within tolerance if the premium and indemnity discrepancies for each separate crop, county, practice and/or type (GRP offer number) are less than \$250.

I. SCHEDULE OF INSURANCE REQUIREMENTS

Insurance providers will provide each GRP insured a schedule of insurance which must contain AT LEAST the following information:

(1) **State Name:** As shown on the actuarial documents.

(2) **County Name:** As shown on the actuarial documents, for each county insured.

(3) **Crop Year:** Crop year, as defined in the policy; e.g., YYYY.

(4) **Policy/Contract Number:** Insured's assigned policy number (may include the numeric state and county code).

(5) **Insurance Provider's Name:** When not preprinted on the schedule of insurance.

(6) **Insured's Name and Address:** Insured's complete name and address as shown on the application.

- (7) **Agent/Agency Servicing Office:** Servicing agent's or agency's complete name, address, and phone number.
- (8) **Name of Crop:** Crop name as shown on the actuarial documents.
- (9) **Total Reported Acreage:** Reported gross acres (before share), to tenths of an acre, from the acreage report.
- (10) **Insured's Share:** Insured's share, expressed as a three-place decimal, taken from the acreage report.
- (11) **Practice and/or Type Code:** Three-digit practice and/or type code shown on the actuarial documents, for the reported practice and/or type (GRP offer number), for the line.
- (12) **Protection per Acre:** Gross (before share) dollar amount of protection per acre listed on the accepted application.
- (13) **Policy Protection:** Net (after share) dollar amount of protection obtained by multiplying protection per acre times acres.
- (14) **Premium:** Net (after share) dollar amount of premium due showing premium discount.

J. GENERAL INDEMNITY PAYMENT FORM REQUIREMENTS

There are no field claims activities or "loss adjustment" for GRP. GRP has the following general requirements:

- (1) Indemnity payments must be paid according to the GRP Policy Provisions, utilizing the payment yield released by FCIC and the insured's trigger yield.
- (2) Indemnity payments shall be calculated separately for each county, crop, GRP offer number (practice and/or type).
- (3) Insurance providers must make any indemnity payments **within 30 days** of receiving GRP payment yields or from FCIC.

K. NOTICE OF INDEMNITY PAYMENT REQUIREMENTS

The insurance provider is to acknowledge each indemnity payment with a "notice of indemnity payment" for each indemnified insured GRP crop, by GRP offer number for the respective county. This notice must contain AT LEAST the following:

- (1) **Insured's Name and Address:** Insured's complete name and address as shown on the application.
- (2) **Insurance Provider's Name:** When not preprinted on the notice of indemnity payment.
- (3) **Agent/Agency Name:** Servicing agent's or agency's complete name, address, and phone number.
- (4) **Contract/Policy Number:** Insured's assigned policy number.
- (5) **Name of Crop:** Crop name as shown on the actuarial documents.
- (6) **Crop Year:** Crop year, as defined in the policy, for which the indemnity is paid, e.g. YYYY.
- (7) **Insured's Share:** Insured's share, expressed as a three-place decimal, taken from the acreage report.
- (8) **Coverage Level:** Two-digit coverage level percent elected by the insured for each GRP offer number (practice and/or type).
- (9) **GRP Offer Number:** As reported on the acreage report. See section 4F, item 15.
- (10) **Dollar Amount of Protection per Acre:** Insured's dollar and cent amount of protection elected for each GRP offer number (practice and/or type).
- (11) **Payment Yield:** Payment yield after it is released by FCIC, following the crop year insured. This yield will not be recalculated even though the NASS yield may be subsequently revised.
- (12) **Trigger Yield:** Trigger yield, calculated by multiplying the expected county yield (shown on the actuarial documents) by the elected coverage level percentage listed on the accepted application.
- (13) **Total Indemnity:** Total GRP indemnity payment, in whole dollars, for the insured GRP crop in the county by GRP offer number (practice and/or type).
- (14) **Final Payment:** Final indemnity payment in dollars and cents for all GRP crops, by GRP offer number (practice and/or type). This entry is to reflect any reduction for any amount due the company.
- (15) **Check Number and Date:** Actual check number with date of issue; e.g. MM/DD/YYYY.

L. RULES FOR DETERMINING ELIGIBILITY

- (1) Eligibility for participation in the Sugarcane GRP Insurance Program includes those requirements stipulated in law and in 7 CFR Part 400. The applicant:
 - (a) Must be a person of majority status if an individual or in good legal standing for entities other than individuals.
 - (b) May not be in violation of Federal statutes including, but not limited to, the Act; the controlled substance provisions of the Food Security Act of 1985; the Food, Agriculture, Conservation, and Trade Act of 1990; and the Omnibus Budget Reconciliation Act of 1993, and any regulation promulgated thereunder.
 - (c) Must not have any unresolved crop insurance indebtedness on or after the applicable termination date as detailed in Section 18 of the Group Risk Plan of Insurance Basic Provisions and Section 5(a) of the Group Risk Plan Crop Provisions for Sugarcane. The termination date is September 30.
 - (d) Must have a bona fide share in the sugarcane crop as owner-operator, landlord, tenant or sharecropper.
 - (e) Must satisfy the following reporting requirements:
 - (1) The completed application must be submitted timely and include procedurally required information sufficient, in part, to determine eligibility. See the Group Risk Plan of Insurance Basic Provisions sections 18 and 20 for specific eligibility requirements, identification of others having a substantial beneficial interest in the applicant and effects upon the eligibility for other USDA programs.
 - (2) By the annual reporting date, each insured must report his or her share, other persons sharing in the crop, and the number of insurable and uninsurable acres.
- (2) An otherwise eligible person must also have an insurable crop grown on insurable acres.
 - (a) The insurable crop is sugarcane as shown on the accepted application and as specified in the Group Risk Plan Crop Provisions for Sugarcane and grown on insurable acres;
 - (1) In which you have a share;

- (2) That is grown for processing for sugar or for seed;
 - (3) That is not interplanted with another crop, unless allowed by a written agreement;
 - (4) That does not exceed the age limitations contained in the Special Provisions, unless we agree in writing to insure such acreage; and
 - (5) For which the actuarial documents provide a premium rate.
- (b) The insurable acres are acres:
- (1) Planted to the insurable crop on or before the acreage reporting date; and
 - (2) Physically located in the county shown on the application unless a written agreement or the Special Provisions allow otherwise.

M. RELEVANT DATES

- (1) Sales Closing and Cancellation Date – September 30 prior to insurance attaching.
- (2) Contract Change Date – June 30 preceding the cancellation date.
- (3) Acreage Reporting Date – July 15 of the crop year.
- (4) Payment Yield Determination Date - July 31.
- (5) Indemnity Payment Date - August 31.
- (6) Billing Date – January 1 following the acreage reporting date.
- (7) Termination Date – September 30 following end of crop year.

N. EXAMPLES OF CALCULATIONS

Risk Area Annual Yield

The annual average yield of sugar per acre for a risk area determined by:

- (a) Multiplying NASS reported tons of harvested sugarcane by the percent sucrose for each county in the risk area
 - **Column B x C** then;
- (b) Totaling the result of step (a)
 - **Column D** then;
- (c) Multiplying the result of step (b) by 2,000;
 - **Column D x 2,000 = Column E** and
- (d) Dividing the result of step (c) by the total planted sugarcane acres reported in the *FSA Acreage and Yield Report* for all counties in the risk area for the same year.
 - **Column E / Column F = Column G**

	B	C	D	E	F	G
Parish	NASS Harvested Cane Tons	% Sucrose	Harvested Raw Sugar Tons		Total FSA Acres	Raw Sugar per Acre (lbs)
Risk Area Annual Yield for 2003						
Evangeline	55,000	13.80	7,590		2,801.3	
Pointe Coupe	900,000	14.00	126,000		35,442.4	
St. Landry	470,000	14.10	66,270		21,329.3	
Risk Area			199,860	399,720,000	59,573	6,710
Risk Area Annual Yield for 2002						
Evangeline	70,000	12.40	8,680		2,920.4	
Pointe Coupe	940,000	12.50	117,500		32,877.6	
St. Landry	580,000	12.50	72,500		21,881.5	
Risk Area			198,680	397,360,000	57,680	6,889
Risk Area Annual Yield for 2001						
Evangeline	60,000	14.00	8,400		2,474.8	
Pointe Coupe	885,000	13.60	120,360		31,566.3	
St. Landry	590,000	14.10	83,190		21,425.1	
Risk Area			211,950	423,900,000	55,466	7,643
Risk Area Annual Yield for 2000						
Evangeline	60,000	13.1	7,860		2,078.0	
Pointe Coupe	870,000	12.9	112,230		30,869.5	
St. Landry	490,000	13	63,700		22,638.3	
Risk Area			183,790	367,580,000	55,586	6,613
Risk Area Annual Yield for 1999						
Evangeline	0	0.00	0		0	
Pointe Coupe	790,000	14.06	111,074		25,272.8	
St. Landry	470,000	14.15	66,505		16,475.6	
Risk Area			177,579	355,158,000	41,748	8,507

Expected Risk Area Yield

The average pounds of sugar per acre determined for the risk area from the most recent five risk area annual yields available after eliminating the highest and lowest yields.

Year	Lbs Sugar per Acre	Olympic Scoring
2003	6,710	6,710
2002	6,889	6,889
2001	7,642	7,642
2000	6,613	0
1999	8,507	0
		21,241
Expected Risk Area Yield		(21,241 / 3) 7,080

Expected County Yield

The expected county yield equals the expected risk area yield determined for the county's assigned risk area.

Trigger Yield

The result of multiplying the expected county yield by the coverage level percentage you elected. When the payment yield falls below the trigger yield, an indemnity is due.

Parish	70%	75%	80%	85%	90%
Evangeline	4,956	5,310	5,664	6,018	6,372
Pointe Coupe	4,956	5,310	5,664	6,018	6,372
St. Landry	4,956	5,310	5,664	6,018	6,372

Payment Yield

The payment yield for each county determines whether an indemnity is due. The payment yield for each county equals the risk area annual yield for the crop year.

		A	B	C	D	E	Payment Yield
	Parish	Total Tons Harvested Cane	% Sucrose	Harvested Sugar Tons		FSA Certified Planted Acres	Lbs Sugar per Acre
1	Evangeline	20,000	14.70	2,940		1,000	
2	Pointe Coupe	640,000	14.00	89,600		30,000	
3	St. Landry	280,000	13.90	38,920		16,000	
4	Risk Area			131,460	262,920,000	47,000	5,594
			C4 = $\sum (A \times B)$		C4 x 2,000		D4 / E4

Payment Calculation Factor

Your payment calculation factor (PCF) will be (your trigger yield - payment yield) / your trigger yield for the purposes of calculating an indemnity payment.

	A	B	C	PCF
Level Election	Trigger Yield	Payment Yield	Trigger Yield - Payment Yield	$\frac{(A-B)}{A}$
90%	6,372	5,594	778	0.122
85%	6,018	5,594	424	0.070
80%	5,664	5,594	70	0.012
75%	5,310	5,594	< 0	-
70%	4,956	5,594	< 0	-

Indemnity Payment Calculations

Producer A has a 100% share, buys 90 percent coverage level and 80% of the maximum protection per acre. Producer B has a 100% share, buys 80 percent coverage level and selects 100% of the maximum protection per acre. Both have 500 net insured acres.

The expected county yield is 7,080 pounds of sugar per acre. The unsubsidized premium rate for 90 percent coverage is \$4.27 per hundred dollars of policy protection and the premium rate for 75 percent coverage is \$2.10 per hundred dollars of policy protection.

<i>Policy Protection</i>						
Producer	Maximum Protection/Acre	% of Maximum	Per Acre Protection	Net Acres	Share	Policy Protection
A	\$1,221.00	x 80%	= \$976.80	x 500	x 100%	= \$488,400.00
B	\$1,221.00	x 100%	= \$1,221.00	x 500	x 100%	= \$610,500.00

Producer	Policy Protection	Premium Rate	Premium Total Premium	Subsidy Amount	Grower Premium	Admin Fee
A	\$488,520	x 0.0427	= \$20,859.80	- \$11,472.89	= \$9,386.91	+ 30
B	\$610,650	x 0.0210	= \$12,823.65	- \$8,207.14	= \$4,616.51	+ 30

The expected county yield is 7,080 pounds of raw sugar. A's trigger yield is 6,372 pounds (7,080 pounds x 90% level) and for B it is 5,310 pounds (7,080 x 75% level). If the amount of payment yield for the county is determined by FCIC to be 3,000 pounds of raw sugar per acre:

Producer A will receive a payment of \$258,520 computed as follows:

$$\text{Payment Adj. Factor} = \frac{\text{Trigger Yield} - \text{Payment Yield}}{\text{Trigger Yield}} = \frac{6,372 \text{ lbs.} - 3,000 \text{ lbs.}}{6,372 \text{ lbs.}} = .529$$

A's Policy Protection	\$488,520
Times Payment Calculation Factor	<u>x .529</u>
Indemnity	\$258,427.08

Producer B will receive a payment of \$ 265,650 calculated as follows:

$$\text{Payment Adj. Factor} = \frac{\text{Trigger Yield} - \text{Payment Yield}}{\text{Trigger Yield}} = \frac{5,310 \text{ lbs.} - 3,000 \text{ lbs.}}{5,310 \text{ lbs.}} = .435$$

A's Policy Protection	\$610,650
Times Payment Calculation Factor	<u>x .435</u>
Indemnity	\$265,632.75

Loss Scenario 1 (likely)

FCIC issues a payment yield of 6,400 pounds of sugar per acre for the county. This is above both producers' trigger yield, so no indemnity payment is made, even if one or both have actual individual yield for the crop year that are below the trigger yield.

Loss Scenario 2 (less likely)

FCIC issues a payment yield of 5,600 pounds of sugar per acre. A's payment calculation factor is 0.121 $((6,372 - 5,600) / 6,372)$. This factor multiplied by the policy protection results in an indemnity payment of \$59,111 $(.121 \times \$488,520)$. B's trigger yield of 5,310 lbs. is less than the payment yield, so no indemnity payment is made.

Loss Scenario 3 (least likely)

FCIC issues a payment yield of 3,000 pounds of sugar per acre for the county. Both A and B will qualify for payments as detailed in the examples above.

O. ACTUARIAL DOCUMENT STATEMENTS

- (1) The Group Risk Plan Crop Provisions for Sugarcane does not make a distinction for organically grown sugarcane.
- (2) Currently there is no specified practice, type, or variety in the actuarial documents.
- (3) In the Louisiana County actuarial documents for the APH program, procedures allow variances in the number of years of insurability for stubble cane for some specified varieties. None of those varieties are currently active, except LCP 85-384, which has developed a susceptibility to rust and has generally been phased out. It should not be insured beyond second year stubble because of the rust disease issue.
- (4) Risk area assignment requires 2 new FCI-35 statements for each parish. A risk area is an area comprised of one or more counties in which the expected county yield and payment yield apply to all counties included in the risk area. Refer to the definitions contained in section 1 of the Group Risk Plan Crop Provisions for Sugarcane.

Statement 1:

Example: "Your risk area includes Calcasieu Parish, Jefferson Davis Parish and Vermillion Parish."

Louisiana has ten sugarcane risk areas. A unique statement will be used in each risk area and will be included on the actuarial documents for each parish in the risk area. Table 5-1 lists the parishes in each risk area in Louisiana.

Risk Area	Parishes			
A	Vermilion	Jefferson Davis	Calcasieu	
B	Rapides	Avoyelles		
C	Pointe Coupee	Evangeline	St Landry	
D	Lafayette	Saint Martin		
E	Iberville	West Baton		
F	Iberia			
G	St Mary			
H	Assumption			
I	Ascension	St. James		
J	Terrebonne	Lafourche	St. Charles	St. John Baptist

Table 5-1

Statement 2:

“The expected county yield and payment yield are determined for the risk area and apply to all counties in the risk area. “

This new statement is generic and applies to all county sugarcane GRP FCI-35s.

**FOR ILLUSTRATION PURPOSES ONLY
GROUP RISK PLAN WORKSHEET**

Grower Name: _____ **Date:** _____

State : _____ (_____) **County :** _____ (_____)

Grower Selection: _____ **Crop Name:** _____

Dollar Protection per Acre = Maximum protection \$ _____ Per Acre Times (60 - 100% of the maximum protection) (CAT is 45% of the maximum protection) _____ % Election	\$ _____ Per Acre
Coverage Levels = Select one (65% CAT only) 70 75 80 85 90%	
Trigger Yield = (Expected County Yield _____ Lbs., Bu. or Tons per Acre times _____ % Coverage Level)	_____ Lbs., Bu. or Tons Per Acre
Premium Rate Per \$100 protection =	\$ _____ Per \$100
Insured Acreage (Net Acres) = (Estimated acreage of crop in the insured county times insurable share)	_____ Acres
Policy Protection = (Net Acres times Protection Per Acre)	\$ _____
Gross Premium = (Maximum Policy Protection times Premium Rate Times .01)	\$ _____
Premium Subsidy Amount per Acre = Limited \$ _____ Per Net Acre or Maximum \$ _____ Per Net Acre	(Net Acres X \$ _____) (Must be above dollar amount of protection/acre listed in the Special Provisions to qualify for maximum subsidy)
Premium due from Grower = (Total Premium - Subsidy Amount)	\$ _____

Notes:

Prepared by: _____
(Agent's Signature)

Prepared for: _____
(Grower's Signature)

Exhibit 2A

**FOR ILLUSTRATION PURPOSES ONLY
GROUP RISK PLAN
DISCLAIMER**

YOU NEED TO UNDERSTAND THE FOLLOWING:

- THIS IS NOT A PLAN OF INSURANCE AGAINST INDIVIDUAL LOSS. THE TERMS AND CONDITIONS OF THIS PLAN ARE DIFFERENT FROM THOSE OF THE ACTUAL PRODUCTION HISTORY PLAN OF MULTIPLE PERIL CROP INSURANCE.

- FINAL PAYMENT WILL BE MADE ACCORDING TO THE APPLICABLE CROP PROVISIONS. PREMIUM WILL BE DUE 30 DAYS AFTER THE BILLING DATE SPECIFIED IN THE ACTUARIAL DOCUMENTS AND WILL USUALLY BE DUE BEFORE A LOSS IS DETERMINED OR AN INDEMNITY IS PAID.

- YOU MAY HAVE A LOW YIELD ON YOUR FARM AND NOT RECEIVE PAYMENT UNDER THE GROUP RISK PLAN. THIS PROGRAM IS BASED UPON COUNTY YIELDS, NOT INDIVIDUAL FARM YIELDS.

- YOU SHOULD CONTINUE TO MAINTAIN ALL YOUR PRODUCTION RECORDS IN CASE YOU WISH TO PURCHASE THE ACTUAL PRODUCTION HISTORY PLAN OF MULTIPLE PERIL CROP INSURANCE IN FUTURE YEARS.

I understand the terms of the Common Group Risk Plan Policy, Basic Provisions and Crop Provisions. I am aware that the Actual Production History plan of insurance is available (exception: Rangeland and Oysters) and that I cannot obtain the Actual Production History plan of insurance coverage on crops insured under the Group Risk Plan of insurance in counties in which I purchase a Group Risk Plan Policy. I have read and fully understand this Group Risk Disclaimer.

Insured: _____

Date: _____

Agent: _____

Date: _____

EXHIBIT 2B

(Reverse)

COLLECTION OF INFORMATION AND DATA (PRIVACY ACT)

To the extent that the information requested herein relates to your individual capacity as opposed to your business capacity, the following statements are made in accordance with the Privacy Act of 1974, as amended (5 U.S.C. 552a). The authority for requesting information to be furnished on this form is the Federal Crop Insurance Act (7 U.S.C. 1501 et seq.) (Act) and the Federal crop insurance regulations contained in 7 C.F.R. chapter IV.

Collection of the social security account number (SSN) or the employer identification number (EIN) is authorized by section 506 of the Act and is required as a condition of eligibility for participation in the Federal crop insurance program. The primary use of the SSN or EIN is to correctly identify you, and any other person with an interest in you or your entity of 10 percent or more, as a policyholder within the systems maintained by the Federal Crop Insurance Corporation (FCIC). Furnishing the SSN or EIN is voluntary; however, failure to furnish that number will result in denial of program participation and benefits.

Your policy also specifies other information that must be provided. The principle purposes of this information are to provide insurance; reinsurance; determine eligibility; determine the correct parties to the agreement; determine and collect premiums or other monetary amounts (including administrative fees and over payments); and pay benefits. The routine uses of this information include: (1) Referral to the appropriate agency, whether Federal, State, local or foreign including the Department of Justice, charged with the responsibility of investigating or prosecuting a violation of law, or of enforcing or implementing a statute, rule regulation or order issued pursuant thereto, of any record within this system when information available indicates a violation or potential violation of law, whether civil, criminal, or regulatory in nature, and whether arising by general statute or particular program statute or by rule, regulation or order issued pursuant thereto; (2) Disclosure to a court, magistrate or administrative tribunal, or to opposing counsel in a proceeding before a court, magistrate or administrative tribunal, of any record within the system that constitutes evidence on that proceeding, or which is sought in the course of discovery, to the extent that FCIC determines that the records sought are relevant to the proceeding; (3) Disclosure to a congressional office in response to any inquiry from the congressional office made at the request of that individual; (4) Disclosure to Approved Insurance Providers (AIP) for any purpose relating to the sale, service, and administration of the Federal crop insurance program and the policies insured under the authority of the Act; (5) Disclosure to other Federal agencies and contractors, cooperators, and partners of FCIC for the purpose of conducting research, development, analyses, and evaluation into all aspects relating to new and existing crop insurance programs and other risk management tools; (6) Disclosure to contractors or other Federal agencies to conduct research and analysis to identify patterns, trends, anomalies, instances and relationships of AIP's, agents, loss adjusters and policyholders that may be indicative of fraud, waste, and abuse; (7) Disclosure to AIPs, contractors, and other applicable Federal agencies to determine whether information has been accurately provided to FCIC and the AIPs and to determine compliance with program requirements; and (8) Disclosure to AIPs, contractors, cooperators, partners of FCIC, and other Federal agencies for any purpose relating to the sale, service, administration, analysis and evaluation of the Federal crop insurance program.

Furnishing other information is also voluntary. However, failure to report the information specified in your policy may result in rejection of any claim for indemnity, replanting payment, or other benefit; ineligibility for insurance; a unilateral determination of any monetary amounts due; or any remedy provided in the policy.

NONDISCRIMINATION STATEMENT

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To file a complaint of discrimination, write to: USDA, Director, Office of Civil Rights, 1400 Independence Avenue, S.W., Washington, D.C. 20250-9410, or call (800) 795-3272 (voice) or (202) 720-6382 (TDD). USDA is an equal opportunity provider and employer.