COST OF PRODUCTION PILOT INSURANCE PROGRAM

STUDENT TRAINING PACKAGE FOR UPLAND COTTON

June 2003

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PREFACE

INTRODUCTION

PURPOSE OF THIS TRAINING HANDBOOK

The Cost of Production (COP) Pilot Insurance Program Student Training Package for Upland Cotton is designed as a training text and desktop guide for students. The course contains all of the basic information necessary to understand all the major elements of the COP pilot insurance program. The package should be used to learn how the COP Pilot Insurance Program works. It is intended to supplement, not replace the applicable COP documents.

The training manual is written with the understanding that the instructors and students are familiar with the APH cotton crop insurance program. Information and procedures that are similar or the same as the APH cotton crop insurance program will be noted as such and will usually not be expanded on.

FORMAT

The manual is divided into ten chapters. The chapter numbers and their corresponding chapter names are as follows:

- Chapter 1: Insurance Policy
- Chapter 2: COP Cotton Crop Provisions
- Chapter 3: Increased Covered Expenses Endorsement
- Chapter 4: COP General Underwriting Guide
- Chapter 5: COP Underwriting Guide for Upland Cotton
- Chapter 6: Covered Expense Worksheet
- Chapter 7: COP Summary of Changes to the Loss Adjustment Manual
- Chapter 8: Summary of Changes to the Prevented Planting Handbook
- Chapter 9: COP Cotton Loss Adjustment Standards Handbook
- Chapter 10: Actuarial Documents (Including Special Provisions)

Each chapter follows a specific format, where applicable, and is organized with an introduction, a discussion of the learning objectives, the lesson, a summary of the chapter, and questions for review. Within each chapter, primarily in the lesson section,

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the following icons will be used to draw attention to and/or separate out specific information and examples.

The light bulb icon indicates important information that the instructor should emphasize.

The cotton icon will be used to indicate examples.

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CERTIFICATION PROCESS

CERTIFICATION TEST

PURPOSE

The purpose of the test is to evaluate the student's understanding of the material presented in this training manual. The test will be administered at the end of the course.

The test is an open-book test of selected questions presented at the end of each chapter. The student will have two hours to complete the test.

The student must receive a score of 80% or higher to receive a certificate of successful completion. The student may re-take the course in order to obtain the certificate.

CERTIFICATE OF COMPLETION

Each student who successfully completes the certification test should receive an individual Certificate of Completion which contains the student's name and date of test completion.

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Training Schedule

The training schedule will utilize 3 full days. The test will be administered at the end of the 3rd day.

Day One

Morning

Introduction and Overview of Training (Table of Contents)

Chapter 1: Insurance Policy
Chapter 2: COP Cotton Crop Provisions

Afternoon

Chapter 2: COP Cotton Crop Provisions (continued)
Chapter 3: Increased Covered Expenses Endorsement

Day Two

Morning

Chapter 4: COP General Underwriting Guide

Afternoon

Chapter 5: COP Underwriting Guide for Upland Cotton
Chapter 6: Covered Expense Worksheet

Day Three

Morning

Chapter 7: COP Summary of Changes to the Loss Adjustment Manual
Chapter 8: Summary of Changes to the Prevented Planting Handbook

Afternoon

Chapter 9: COP Cotton Loss Adjustment Standards Handbook
Chapter 10: Actuarial Documents (including the Special Provisions of Insurance)

Certification Test

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CHAPTER 1
INSURANCE POLICY

INTRODUCTION

This chapter of the training manual, *Insurance Policy*, details each section of the Pilot Cost of Production Insurance Policy Basic Provisions. There are 36 numbered sections in this chapter and each one corresponds to the numbered sections of the policy. Sections that are identical or similar to the Common Crop Insurance Policy will be noted as such and may not be further expanded on. The section names and numbers are as follows:

1. Definitions
2. Unit Structure
3. Life of Policy, Cancellation, and Termination
4. Insurance Coverages and Coverage Levels
5. Contract Changes
6. Liberalization
7. Report of Acreage
8. Covered Expenses, Annual Premium, and Administrative Fees
9. Insured Crop
10. Insurable Acreage
11. Share Insured
12. Insurance Period
13. Causes of Loss
14. Increases in Covered Expenses due to Replanting
15. Duties in the Event of Damage or Loss
16. Production Included in Determining Indemnities and Payment Reductions
17. Late Planting
18. Prevented Planting
19. Written Agreements
20. Carryover of Purchased Crop Inputs
21. Agricultural Commodity as Payment
22. Arbitration
23. Access to Insured Crop and Records, and Record Retention
24. Other Insurance
25. Conformity to Food Security Act
26. Amounts Due Us
27. Legal Action Against Us
28. Payment and Interest Limitations
29. Concealment, Misrepresentation or Fraud
30. Transfer of Coverage and Right to Indemnity
31. Assignment of Indemnity
32. Subrogation (Recovery of Loss From a Third Party)
33. Applicability of State and Local Statutes
34. Descriptive Headings
35. Notices
36. Multiple Benefits
37. Substitution of Yields
38. High Risk Land

LEARNING OBJECTIVES

After completing this section, you should be able to:

- Be familiar with the overall structure of the Pilot Cost of Production Insurance Policy Basic Provisions in such a manner that specific questions or issues can be effectively referenced.
- Define and understand the terms and concepts used in the COP Insurance Policy.
- Calculate the producer's share of land fees and fixed expenses, covered expenses, and premium.
- Determine and identify the major differences between the Common Crop Insurance Policy and the COP Insurance Policy Basic Provisions.

LESSON

1. DEFINITIONS

ALLOWABLE EXPENSES (PER ACRE)

The dollar amount per acre directly associated with the production of each insured crop during the current crop year for the insured's share as listed by the insured on the covered expenses worksheet at the time of application. Any expense incurred after the end of the insurance period that directly influences the production of each crop for the next crop year will be covered as an allowable expense under the policy for the next crop year (or insurance period). Any dollar amount refunded, credited, prepaid, and any other expense not expended will not be considered an allowable expense. The applicable allowable expense categories are:

- Variable cost expenses;
- Fixed cost expenses; and
- Land fee expenses.

The premium and administrative fee for this policy are not allowable expenses. The total amount of variable cost expenses, fixed cost expenses, and land fee expenses may be limited by the Special Provisions and cannot exceed the amount designated in the Special Provisions.

It is important to remember that if the insured does not actually pay out the money for the expense, that portion of the expense is not considered "allowable" and will not be covered.

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VARIABLE COST EXPENSES

Variable cost expenses

The dollar amount per acre directly associated with the production of each COP insured crop during the current crop year as listed by the insured on the covered expenses worksheet at the time of application. The maximum allowable variable cost expenses are provided in the Special Provisions. The applicable variable cost expenses include those expenses illustrated in Figure 1.

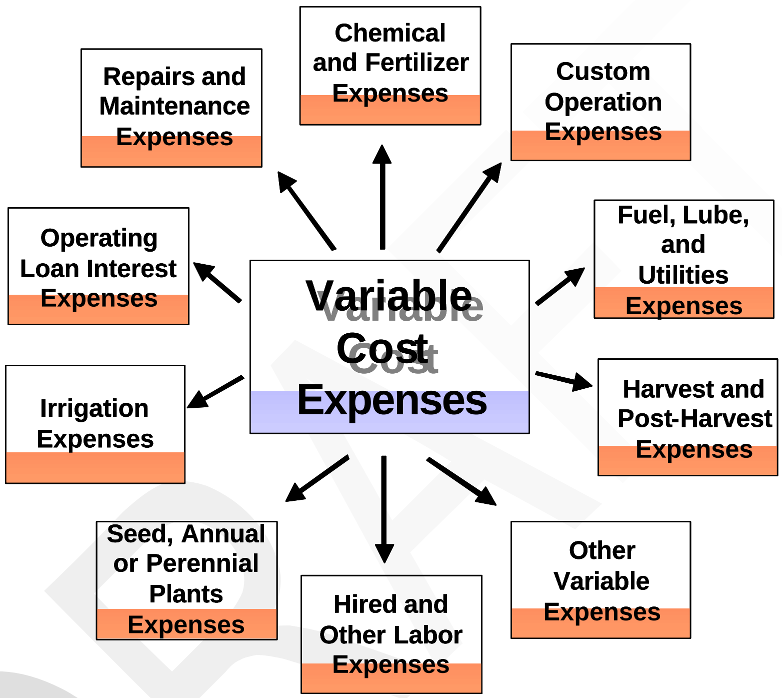

Figure 1. Variable Cost Expenses.

Chemical expenses

Expenses paid for herbicides, insecticides, and other chemicals used in the production of each COP insured crop, and includes, but is not limited to, adjuvants, fungicides, pre-emergents, dormant oils, copper, rodenticides, and growth regulators.

Custom operations expenses

Expenses paid to others for performing specific operations required for normal production practices (e.g. spraying, harvesting) for COP insured commodities.

Fertilizer expenses

Expenses paid for fertilizer used in the production of each COP insured crop, and includes, but is not limited to, ammonium nitrate, anhydrous ammonia, phosphorus, phosphate, potassium, potash, and lime.

Fuel, lube, and utilities expenses

Expenses paid for gasoline, diesel, kerosene, fuel/oil additives, lubricants, greases, electricity, non-irrigation water, natural gas, propane, or heating oil for equipment, vehicles, and facilities associated with the production of each COP insured crop.

Harvesting expenses

Expenses paid for the picking or removal of each mature COP insured crop from plants or trees by hand or machine.

Hired labor expenses

Expenses paid to laborers (non-owner labor) to work with each COP insured crop(s) including wages, payroll taxes, and employment-related insurance and benefits (does include unemployment insurance, health/disability/life insurance, or workers' compensation). This excludes owner, landlord, and share renter labor.

Irrigation expenses

Expenses paid for water and its application used exclusively in providing moisture to seeds, plants, or trees involved in the production of each COP insured crop.

Operating loan interest expense

Expenses paid for interest charges on operating capital directly related to the production of each insured crop. Does not include interest relating to the financing of machinery, equipment, implements, real estate, other enterprises, or non-COP insured or uninsured crops.

Other labor expenses

Expenses paid for unallocated labor and management fees relating to the production of each COP insured crop.

Post-harvest expenses

Post-harvest operation expenses paid for each COP insured crop, such as cotton ginning that are crop specific and are described in the Crop or Special Provisions.

Some post harvest expenses, such as storage and marketing, are not always covered.

Repairs and maintenance expenses

Expenses paid for the repairs and regular maintenance of capital assets such as vehicles, equipment, implements, and facilities used in the production of each COP insured crop.

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Seed, annual or perennial plants expenses

Expenses paid for seed, annual or perennial plants used in production of each COP insured crop.

Other variable costs expenses

Expenses paid for supplies and other miscellaneous expenses used in the production of each COP insured crop which vary with the amount of acreage or production and include premiums for named peril crop insurance such as hail insurance and mandatory check-off fees.

FIXED COST EXPENSES

Fixed cost expenses

Expenses paid for accounting, property taxes, property and liability insurance (does not include unemployment insurance, health/disability/life insurance, or workers' compensation), office expenses, capital depreciation, term loan interest on machinery, equipment, real estate loans, and organization dues, and may include an expense which represents owner labor (see Figure 2 below).

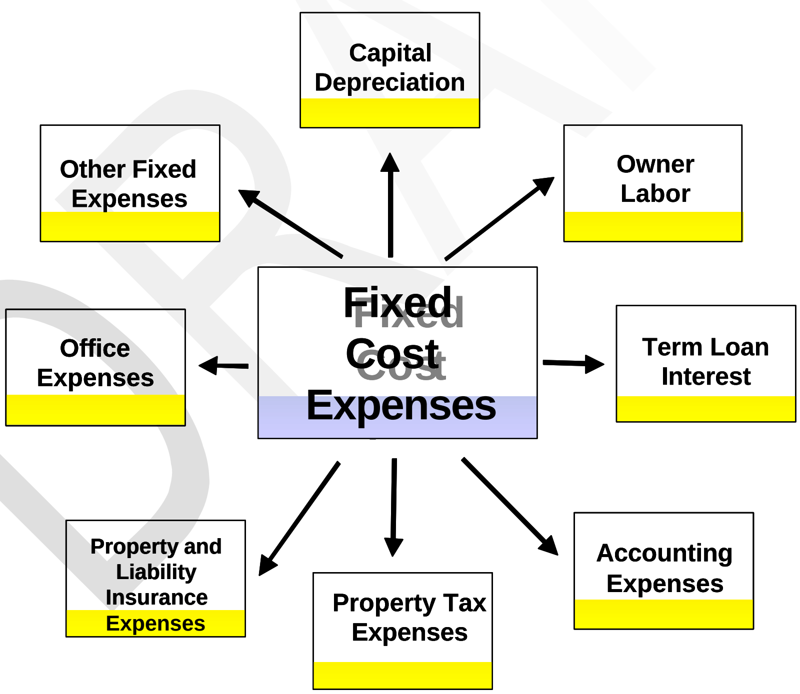

Figure 2. Fixed Cost Expenses.

Fixed cost expenses, other than crop specific expenses, that are applicable to second crops and double cropping will be allocated based on the expected gross income of the crops involved if any subsidized insurance under the FCIC Act was offered on both crops.

Maximum fixed cost and land fee expenses are provided in the Special Provisions.

Capital depreciation

The allocation, over time, of the original cost, less salvage value, of a capital asset having limited useful life (i.e. machinery, buildings, etc.) by a non-cash expense periodically charged against income over the service, or useful, life of that asset in a rational and systematic manner.

Owner labor

Unallocated owner, landlord, or share renter labor and management relating to the production of each COP insured crop by the grower.

Term loan interest

Expenses paid for interest charges on capital for the financing of machinery, equipment, implements, real estate, or other such items.

LAND FEE EXPENSES

Land fee expenses

The dollar amount that represents a return to ownership of land, cash rent, or land ownership cost relating to the production of each COP insured crop.

Maximum allowable land fee expenses and fixed cost expenses are provided in the Special Provisions.

Land fee expenses for a unit will be based on the share that land represents. Land fee expenses for second crops and double cropping will be allocated based on the expected gross income of the crops if any subsidized insurance under the FCIC Act was offered on both crops (see Example below).

<u>Example: Second crop scenario for determining land fee</u>

Joe Farmer grows cotton, with the following expenses, yield, and expected price. The expected gross income (EGI) is calculated by multiplying the approved yield by the expected market price.

Approved land fee=	$100
Approved yield=	470 pounds
Expected market price with cotton seed=	$.60
Cotton EGI *(470 * $.60)* =	$282

Joe Farmer's cotton is destroyed. He clears the field and plants grain sorghum on the same land. His grain sorghum data is as follows:

Approved yield=	59 bushels
Expected market price =	$2.00

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Grain Sorghum EGI *(59 * $2.00)* = $118

To calculate Joe Farmer's land fee expense for cotton at the time of indemnity, the total EGI needs to be calculated. This is performed by adding the cotton EGI and the grain sorghum EGI together (total EGI). The cotton EGI is then divided by the total EGI to determine cotton's percent of the total. That percentage is then multiplied by the land fee to calculate the land fee for the cotton.

Total EGI *($282 + $118)* =	$400
Cotton share of total EGI *($282/$400)* =	70.5%
Cotton share of land fee *(70.5% * $100)* =	**$70.50**

ALLOWABLE INCOME

The insured's share of farm income from the production of the insured crop including only the amount received from:

- The sale of the insured crop raised during the current crop year;
- USDA payments that apply to the crop insured and may be further defined in the Crop Provisions;
- Other allowable sources of income detailed in the Crop or Special Provisions including the value of appraised production, production not sold; and
- Indemnities from named peril crop insurance, such as hail insurance.

APPROVED EXPENSES (PER ACRE)

The dollar amount of the insured's allowable expenses (per acre) that are approved by the insurance company providing the insurance (company).

BYPASSED ACREAGE

Land on which a crop, grown under a processor contract, is ready for harvest but the buyer elects not to accept such crop; so it is not harvested.

CATASTROPHIC RISK PROTECTION

The minimum level of coverage offered by FCIC that is required before the insured may qualify for certain other USDA program benefits unless the insured executes a waiver of any eligibility for emergency crop loss assistance in connection with the crop.

This coverage is not available under these Basic Provisions.

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CONTRACT PRICE

A price for production agreed upon for the sale of a COP insured crop between the grower (insured) and a buyer of the COP insured crop.

COP

Cost of Production

COVERAGE

The insurance provided by this policy, against insured causes of loss resulting in allowable income less than the covered expenses.

COVERED EXPENSES (PER ACRE)

The total of the insured's approved expenses (per acre) multiplied by the coverage level percentage (see Example 2 below).

<u>Example: Calculation of Covered Expenses per acre</u>

Joe Farmer has $300 in approved expenses and has selected a coverage level of 85%. His covered expenses per acre are calculated by multiplying his covered expenses per acre by the coverage level.

Approved Expenses per acre=	$300
Coverage Level =	85%
Covered Expenses per acre *($300 * 85%)* **=**	**$255**

In the event of loss or damage covered by this policy, *the covered expenses will be reduced if the approved expenses cannot be documented or were not expended.* Such reduction will not reduce the premium earned at the time coverage began.

COVERED EXPENSES WORKSHEET

The form required to be completed by the insured and accepted by the company, submitted with the application, on which the insured certifies their allowable expenses (per acre) and which the company certifies the approved expenses (per acre) and the expected gross income for the initial crop year. All variable cost expenses for each insured crop must be supported by verifiable records. The insured and the company may mutually agree to change applicable entries for subsequent crop years in accordance with the terms of the policy, Crop Provisions, or Special Provisions on or before the applicable sales closing date for the crop.

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If during the crop year, the insured becomes aware of a cost increase in excess of 20 percent in a variable cost expense category, the insured must notify their agent. THE INSURED'S POLICY LIABILITY WILL NOT BE INCREASED. In the event of a claim, failure to revise the covered expenses worksheet will result in the cost category increase being limited to 120 percent of the expected cost (discussed further in Chapter 6).

CROP SPECIFIC EXPENSES

Expenses, which apply to only one crop, such as capital depreciation of a cotton harvester.

DELAYED PAYMENTS

Payments for agricultural commodities that are not made in full at the time of delivery.

DIRECT MARKETING

Sale of the insured crop directly to consumers without the intervention of an intermediary such as a wholesaler, retailer, packer, processor, shipper, or buyer. Examples of direct marketing include selling through an on-farm or roadside stand, farmer's market, or permission for the general public to enter the field for the purpose of picking all or a portion of the crop.

ESTABLISHMENT COSTS

Expenses incurred during the nonproductive (establishment) phase of a perennial crop. These costs are recognized over the productive life of the crop and are not covered under this insurance program.

EXPECTED GROSS INCOME (PER ACRE)

The revenue anticipated, on a per acre basis, calculated by multiplying the insured's approved yield times the expected market price times the insured's share. For crops where insurance is offered that do not require approved yields, the revenue anticipated on a per acre basis, calculated by multiplying the maximum amount of insurance available times the insured's share.

EXPECTED MARKET PRICE

The higher of, the applicable FSA county loan rate, the FCIC issued established or additional price election, whichever is applicable, or a contract price if requested and approved by the company on or before the sales closing date. If a contract price is approved for less production than the total approved yield, the expected market price will be a weighted average of the contract price and the other applicable price.

FCIC

The Federal Crop Insurance Corporation, a wholly owned government corporation within USDA.

Good farming and management practices

The practices used in the area for the production and marketing of the agricultural commodities produced by the insured that are determined by the company as necessary to produce at least the approved yield. For crops, the practices are those determined by us to be recognized by the Cooperative State, Research, Education, and Extension Service as compatible with the agronomic, weather and other conditions in the area. Good farming and management practices will include replacing (or replanting annual crops) damaged or destroyed agricultural commodities when it is reasonable to expect the allowable income from the sale of such agricultural commodities to exceed the cost of replacing or replanting the agricultural commodities.

Harvest

The picking or removal of the mature insured crop from plants or trees by hand or machine.

Increased Covered Expenses Endorsement

An endorsement, available on a crop basis, which will provide for additional covered expenses for unforeseen necessary pesticide purchase and application (see Chapter 3).

Processor

A business enterprise regularly engaged in the processing of a crop that possesses all licenses and permits for processing the crop required by the state in which it operates, and that possesses facilities, or has contractual access to such facilities, with enough equipment to accept and process the contracted crop within a responsible amount of time after harvest.

Replanting

Performing the cultural practices necessary to prepare the land to replace the seed or plants of the damaged or destroyed insured crop and then replacing the seed or plants of the same crop in the insured acreage.

Replanting expenses

Expenses paid for the replanting of an insured crop.

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SECOND CROP

With respect to a single crop year, a crop that is planted on the same acreage after an initially planted crop is destroyed or was prevented from being planted on such acreage and does not include a replanted first crop.

VERIFIABLE RECORDS

Allowable variable cost expenses that are confirmed through valid documentation and provided to the insured by the seller of the inputs for the COP insured crop and written records developed contemporaneously with the event recorded (such as harvested production, sale of a crop, etc.) provided from a third party (such as records from a warehouse, processor, packer, broker, etc.) or by measurement of farm stored insured crops that are acceptable to the company.

2. UNIT STRUCTURE

For Cost of Production Insurance, the insured has two choices when selecting a unit structure (enterprise or whole-farm), subject to availability of actuarial documents. Basic and optional units are not available and further division of units is not allowed.

When selecting a unit structure, the insured must make election in writing by the earliest sales closing date and the election will remain in effect each year, unless otherwise notified in writing. The applicable unit structure must be stated on the acreage report for each crop year.

The two unit structures available for the Pilot COP Insurance Program are enterprise and whole-farm (subject to availability of actuarial documents), as defined below:

ENTERPRISE UNIT

All insurable acreage of the insured crop in the county in which the insured has a share on the date coverage beings for the crop year.

The insured will be required to insure all acreage for the crop under one policy, regardless of practice (such as irrigated and non-irrigated), variety, or type, unless otherwise stated in the Special Provisions.

WHOLE-FARM UNIT

All insurable acreage of the insured crop in the county in which the insured has a share on the date coverage begins for the crop year. This unit is established from two or more enterprise units that contain planted insured crop acreage.

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Acreage must be reported for each crop produced in the county that comprises the whole-farm unit and separate administrative fees will be required for each crop included in the whole-farm unit.

- If the insured qualifies, a premium discount will be applied.
- If the insured does not qualify, an enterprise unit will be assigned.

3. Life of the Policy, Cancellation, and Termination

This section is only a minimal modification of the Common Crop Insurance Policy *(01-BR, Section 2. Life of Policy, Cancellation, and Termination*). All acreage reporting requirements remain unchanged.

COP is a continuous policy and most parts of this section are identical to the Common Crop Insurance Policy. The only changes are the removal of any references to the non-standard classification list and to catastrophic coverage, as catastrophic coverage is not available under the COP insurance policy.

4. Insurance Coverages and Coverage Levels

This section is only a minimal modification of the Common Crop Insurance Policy *(01-BR Section 3. Insurance Guarantees, Coverage Levels, and Prices for Determining Indemnities).* Therefore, only the new or significantly changed portions are discussed.

Covered Expenses (per acre)

Covered Expenses per acre are the total of the insured's approved expenses (per acre) multiplied by the coverage level percentage (contained in the actuarial documents). For each crop and crop year, the covered expenses will be those provided by the insured and approved by the company on the covered expenses worksheet and will be used to calculate the insured's summary of coverage (see Example 2).

Example: Calculation of covered expenses per acre

Joe Farmer has $300 in approved expenses and has selected a coverage level of 85%. His covered expenses per acre are calculated by multiplying his covered expenses per acre by the coverage level.

Approved Expenses per acre=	$300
Coverage Level =	85%
Covered Expenses per acre *($300 * 85%)* **=**	**$255**

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Revisions to the Covered Expenses

The company may revise the insured's covered expenses. The reduction in such covered expenses will not reduce the premium earned at the time coverage began. The two main situations that would lead to a revision are as follows:

(1) If the covered expenses worksheet is not supported by written verifiable records in accordance with the definition of the covered expenses worksheet; or

(2) If the approved expenses were not expended.

Example

Joe Farmer has $300 in approved expenses and has selected a coverage level of 85%. His harvesting expenses are $30 per acre and he does not harvest his insured crop. Therefore, his covered expenses are revised to reflect this decrease in expenses.

Approved Expenses per acre *($300 - $30)* =	$270
Coverage Level=	85%
Reduced Covered Expenses per acre *($270 * 85%)* **=**	**$229.50**

In addition to changes due to revisions in the covered expense worksheet, the insured's expected gross income, covered expenses, and premium may be revised by the company if the insured's production report:

(1) Is not supported by written verifiable records in accordance with the definition of production report; or

(2) Fails to accurately report actual production, acreage, or other material information.

Covered Expense Limitations

The Special Provisions will specify limitations on land fee expenses and fixed cost expenses as a maximum percentage of the expected gross income and will specify a maximum total variable cost expense dollar amount.

The insured's approved expenses per acre cannot exceed the insured's expected gross income per acre.

If allowable expenses exceed expected gross income per acre, then the approved expenses per acre will become the expected gross income per acre.

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Increased Coverage

An additional price election may be provided that could increase the expected market price that was available on the contract change date.

- This price election would increase the insured's expected gross income and allow increased covered expenses no later than 15 days prior to the sales closing date.
- The insured must submit a revised covered expenses worksheet to request the increased covered expenses on or before the sales closing date for the insured crop.
- These covered expenses will not be less than those available on the contract change date.
- If the insured elects the increased covered expenses, any claim settlement and amount of premium will be based on this amount.

Unless limited by the Crop Provisions, additional covered expenses may be included in the insured's covered expenses if the insured has purchased the Increased Covered Expenses Endorsement (see Chapter 3).

5. Contract Changes

No change from the Common Crop Insurance Policy (*01-BR, Section 4. Contract Changes*).

6. Liberalization

No change from the Common Crop Insurance Policy (*01-BR, Section 5. Liberalization*).

7. Report of Acreage

This section is only a minimal modification of the Common Crop Insurance Policy *(01-BR, Section 6. Report of Acreage*). All acreage reporting requirements remain unchanged.

The only significant change can be found in the COP Insurance Policy section 7(g)(1) (*6(g)(1) in the Common Crop Insurance Policy (01-BR*)). Instead of reducing the **production guarantee or amount of insurance** if a lower liability than the actual liability is determined, the **covered expenses** will be reduced to an amount that is consistent with the reported information.

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8. Covered Expenses, Annual Premium, and Administrative Fees

Covered Expenses

The amount of covered expenses is determined by multiplying your coverage level times your approved expenses per acre. This result multiplied by the insured acreage equals the covered expenses for the unit.

<u>Example</u>

Joe Farmer has $300 in approved expenses and has selected a coverage level of 85%. His covered expenses per acre are calculated by multiplying his covered expenses per acre by the coverage level.

Acres in unit=	100
Approved Expenses per acre=	$300
Coverage Level =	85%
Covered Expenses per acre *($300 * 85%)* =	$255
Covered Expenses per unit *($255 * 100)* **=**	**$25,500**

Annual Premium

The annual premium amount is determined at the time insurance attaches. The following formulas are used to calculate the insured's premium:

The total premium for the unit =
covered expenses per acre (approved expenses times coverage level)
x the insured acreage
x the insured's share at the time coverage begins
x the premium rate
x any premium adjustment factors

The premium subsidy =
the total premium for the unit
x any premium adjustment percentages that may apply
x the premium subsidy factor

The insured's premium =
the total premium for the unit
- the premium subsidy

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<u>Example: Calculation of the total premium for the unit, premium subsidy, and insured's premium</u>

Joe Farmer has the following information:

Approved Expenses per acre=	$212
Coverage Level =	85%
Acres in unit=	200
Insured's share of the crop=	100%
Premium Rate=	.060
Premium Subsidy Factor=	.38

Using the formulas above, the premium is calculated as follows:

Total Premium for the unit=
$212 x .85 x 200 x 100% x .060= $2,160.40

Premium Subsidy=
$2,160.40 x .38= $821.71

Insured's Premium=
$2,160.4 - $821.71= $1,338.69

The annual premium:

- Is earned and payable at the time coverage begins;
- Will be billed not earlier than the premium billing date specified in the Special Provisions; and
- Will be considered delinquent if it is not paid on or before the termination date specified in the Crop Provisions.

Any amount that the insured owes related to any crop insured will be deducted from any prevented planting payment or indemnity due to the insured for any crop insured.

Administrative Fee

In addition to the premium charged, the insured must pay an administrative fee each crop year of $30 per crop per county for all levels of coverage. The administrative fee:

- Must be paid no later than the time premium is due;
- Will not be required if the insured file a bona fide zero acreage report on or before the acreage reporting date for the crop;
- Will be waived if the insured requests it and if the insured qualifies as a limited resource farmer; and

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- Failure to pay when due may make the insured ineligible for certain other USDA benefits.

9. Insured Crop

No change from the Common Crop Insurance Policy (*01-BR, Section 8. Insured Crop*).

10. Insurable Acreage

No change from the Common Crop Insurance Policy (*01-BR, Section 9. Insurable Acreage*).

11. Share Insured

No change from the Common Crop Insurance Policy (*01-BR, Section 10. Share Insured*).

12. Insurance Period

No change from the Common Crop Insurance Policy (*01-BR, Section 11. Insurance Period*).

13. Causes of Loss

The causes of loss NOT covered include the following:

- Negligence, mismanagement, or wrongdoing;
- Failure to follow recognized good farming and management practices;
- Water contained by any governmental, public, or private dam or reservoir project;
- Failure or breakdown of irrigation equipment or facilities;
- Failure to carry out a good irrigation practice for the insured crop, if applicable;
- Theft or mysterious disappearance;
- Vandalism;
- Inability to market the insured crops due to quarantines, boycotts, or refusal of any person to accept your insured crops;
- Lack of labor to properly care for, harvest or perform any necessary production or post-production operations for any insured crop;
- Failure of any buyer for the insured crops produced;
- Failure to follow the requirements contained in any processor contract;

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- Abandonment; or
- Failure to obtain a price for any crop that is reflective of the local market value.

14. Increase in Covered Expenses due to Replanting

This section is similar to the Common Crop Insurance Policy (*01-BR, Section 31. Replanting Payment*). The main difference is that any reference to a "replanting payment" was changed to an "increase in covered expenses due to replanting." The following reflects those changes.

If allowed by the Crop Provisions, an increase in covered expenses due to replanting may be made on an insured crop replanted after the company has given consent and the acreage replanted is at least the lesser of 20 acres or 20 percent of the insured planted acreage for the unit.

The insured crop must be damaged by an insurable cause of loss to the extent that the remaining crop will not produce at least 90% of the insured's approved yield times the coverage level for the acreage.

No increase in covered expenses due to replanting will be made on acreage:

- On which the company's appraisal of the potential production times the expected market price establishes that the value of production thus determined will exceed the covered expenses;
- Initially planted prior to the earliest planting date established by the Special Provisions;
- On which one increase in covered expenses due to replanting has already been allowed for the crop year; or
- On which the company determines it is not practical to replant.

The increase in covered expenses due to replanting per acre for the insured's share of the acreage will be stated on the Special Provisions.

15. Duties in the Event of Damage or Loss

There are no deletions from the Common Crop Insurance Policy (*01-BR, Section 14. Duties in the Event of Damage or Loss*). Additional duties, though, are required of the insured, by the COP insurance policy.

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Additional Duties of the Insured

- Record their actual variable cost expenses on their copy of the covered expenses worksheet and provide the worksheet to the company;

- Cooperate in the investigation or settlement of the claim, and, as often as the company reasonably requires:
    1) Show the company the damaged crop
    2) Allow the company to remove samples of the insured crop
    3) Provide the company records and documents requested and permit them to make copies

- Provide documentation of the allowable income received including but not limited to:
    1) Receipts from crop sales
    2) Applicable USDA payments
    3) Verifiable crop inventory

- Provide documentation of allowable expenses including but not limited to:
    1) Purchase receipts for all variable cost expenses for the insured crop;
    2) Records showing labor expense;
    3) Accounting records of all prepaid expenses and carry-over input inventory and its value; and
    4) Other allowable expenses.

16. Production Included in Determining Indemnities and Payment Reductions

This section is only a minimal modification of the Common Crop Insurance Policy (*01-BR, Section 15. Production Included in Determining Indemnities*). Therefore, only highlights are included.

Total Production

The total production to be counted for a unit will include all production determined in accordance with the policy.

Harvested Production

If the acreage will be harvested, harvested production will be used to determine any indemnity due.

Unharvested Production

The amount of production of any unharvested insured crop may be determined on the basis of field appraisals conducted after the end of the insurance period.

If the insured will not be harvesting the acreage, appraised production will be used to calculate any claim.

Replant

In the event of an insurable loss on the first planted crop:

- If the insured is unable to replant on or before the final planting date and chooses not to plant a second crop, the indemnity will be based on the covered expenses expended.
- If the insured plants a second crop, the fixed cost expenses and land fee expenses will be allocated based on the expected gross income of the two crops if any subsidized insurance under the FCI Act (Act) was offered on both crops.

Prevented Planting

In the event the insured is prevented from planting the intended crop:

- If there is no other crop planted, the insured's indemnity will be based on the approved expenses (per acre) expended.
- If the insured or any other person plants a crop (including a cover crop that is hayed, harvested, or grazed prior to the end of the insurance period of the intended crop), the fixed costs and land fee expenses will be allocated based on the expected gross income of the intended crop and the planted crop if subsidized insurance under the Act was offered on both crops.

Hail and Fire

If the insured elects to exclude hail and fire as insured causes of loss and the insured crop is damaged by hail or fire, appraisals will be made as described in the applicable Form FCI-78 "Request To Exclude Hail and Fire", or a form containing the same terms approved by the Federal Crop Insurance Corporation.

17. Late Planting

This section is similar to the Common Crop Insurance Policy (*01-BR, Section 16. Late Planting*). The main difference is that any reference to "production guarantee or amount of insurance" was changed to "covered expenses." The following section reflects those changes.

Insurance will be provided for acreage planted to the insured crop after the final planting date in accordance with the following:

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- The covered expenses for each acre planted to the insured crop during the late planting period will be reduced by 1 percent per day for each day planted after the final planting date.
- Acreage planted after the late planting period may be insured as follows:
    1) The covered expenses for each acre planted as specified in this subsection will be determined by multiplying such covered expenses that are provided for acreage of the insured crop that is timely planted by 50%;
    2) Planting on such acreage must have been prevented by the final planting date (or during the late planting period, if applicable) by an insurable cause occurring within the insurance period for prevented planting coverage; and
    3) All production from acreage as specified in this section will be included as the value of production to count for the unit.
- The premium amount for insurable acreage specified in this section will be the same as that for timely planted acreage. If the amount of premium the insured is required to pay (gross premium less the FCIC subsidy) for such acreage exceeds the liability, coverage for those acres will not be provided (no premium will be due and no indemnity will be paid).
- Any acreage on which an insured cause of loss is a material factor in preventing completion of planting, as specified in the definition of "planted acreage" (e.g. seed is broadcast on the soil surface but cannot be incorporated) will be considered as acreage planted after the final planting date and the covered expenses will be calculated as shown above.

18. PREVENTED PLANTING

This section is similar to the Common Crop Insurance Policy (*01-BR, Section 17. Prevented Planting*). The main differences are that any reference to "production guarantee or amount of insurance" was changed to either "expected gross income" or "covered expenses." Also, all references to the High Risk Land Exclusion Option and the Catastrophic Risk Protection Plan were removed. Finally, the section covering additional level of prevented planting coverage was removed.

The following discussion summarizes the Prevented Planting section. Parts that were only minimally modified from the Common Crop Insurance Policy may not be included.

PREVENTED PLANTING PAYMENTS

A prevented planting payment may be made to the insured for eligible acreage if:

- The insured was prevented from planting the insured crop by an insured cause that occurs:

1) On or after the sales closing date contained in the Special Provisions for the insured crop in the county for the crop year the application for insurance is accepted; or

2) For any subsequent crop year, on or after the sales closing date for the previous crop year for the insured crop in the county, provided insurance has been in force continuously since that date. Cancellation for the purpose of transferring the policy to a different insurance provider for the subsequent crop year will not be considered a break in continuity for the purpose of the preceding sentence.

- The insured included any acreage of the insured crop that was prevented from being planted on your acreage report; and
- The insured did not plant the insured crop during or after the late planting period. If such acreage was planted to the insured crop during or after the late planting period, it is covered under the late planting provisions.

PREMIUM

The premium amount for acreage that is prevented from being planted will be the same as that for timely planted acreage. If the amount of the premium (gross premium less the FCIC subsidy) for acreage that is prevented from being planted exceeds the liability on such acreage, coverage for those acres will not be provided (no premium will be due and no indemnity will be paid for such acreages).

ADDITIONAL CAUSES OF LOSS

Drought or failure of the irrigation water supply will be considered to be an insurable cause of loss for the purposes of prevented planting only if, on the final planting date (or within the late planting period if the insured tries to plant the crop):

- <u>For non-irrigated acreage</u>, the area that is prevented from being planted has insufficient soil moisture for germination of seed and progress toward crop maturity due to a prolonged period of dry weather; or
- <u>For irrigated acreage</u>, there is not a reasonable probability of having adequate water to carry out an irrigated practice.

ELIGIBLE ACRES

The maximum number of acres that may be eligible for a prevented planting payment for any crop will be determined using the same methodology and tables contained in the Common Crop Insurance Policy *(01-BR, Section 17(e)).* Similarly, determining acreage that prevented planting will not be provided for uses the same standards as the Common Crop Insurance Policy (*01-BR, Section 17(f) and 17(h)).*

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Indemnity Payment

The prevented planting indemnity payment for any eligible acreage within a unit will be determined by:

- Totaling your approved expenses (per acre) that have been expended or documented at the time of the loss inspection, times the coverage level elected, which equals your covered expenses. This number is multiplied by the number of eligible prevented planting acres in the unit.

In the case of second crops, the land fee expenses and fixed cost expenses for the crop that was prevented from being planted will be based on the expected gross income of each crop if subsidized insurance under the Act was offered on both crops (see Example5 below).

Example: Second crop scenario for determining land fee expenses

Joe Farmer grows corn, with the following expenses and expected gross income (EGI).

Approved land fee=	$100
Corn EGI=	$300

Joe Farmer is prevented from planting corn. He plants soybeans on the same land. His soybean expected gross income is as follows:

Soybeans EGI *(59 * $2.00)* =	$200

To calculate Joe Farmer's land fee expense for his crops, the total EGI needs to be calculated. This is performed by adding the corn EGI to the soybean EGI (Total EGI). The corn EGI is then divided by the total EGI to determine corn's percent of the total. That percentage is then multiplied by the land fee to calculate the land fee for the corn. The same calculation is performed for soybeans.

Corn=

Total EGI *($300 + $200)* =	$500
Corn share of total EGI *($300/$500)* =	60.0%
Corn share of land fee *(60.0% * $100)* =	**$60.00**

Soybeans=

Total EGI *($300 + $200)* =	$500
Soybean share of total EGI *($200/$500)* =	40.0%
Soybean share of land fee *(40.0% * $100)* =	**$40.00**

19. Written Agreements

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No change from the Common Crop Insurance Policy (*01-BR, Section 18. Written Agreements*).

20. Carryover of Purchased Crop Inputs

The insured may elect to purchase a larger quantity of production inputs, i.e., seed, fertilizer, chemicals, fuel, etc., than are actually used for the crop year's production in which the insured has purchased COP insurance. The insured will be allowed to apply those expenses to any subsequent insured year when that pre-purchased input is actually used in the production of the insured crop.

21. Agricultural Commodity as Payment

No change from the Common Crop Insurance Policy (*01-BR, Section 19. Crops as Payment*).

22. Arbitration

No change from the Common Crop Insurance Policy (*01-BR, Section 20. Arbitration*).

23. Access to Insured Crop and Records, and Record Retention

Record Retention Period

For **three** years after the end of the crop year, the insured must retain, and provide upon request the following:

- Complete records of the harvesting, storage, shipment, sale, or disposition of all covered insured crops;
- Records used to establish COP allowable expenses and allowable income by crop;
- Records used to establish the basis for the production report and the covered expenses worksheet; or
- Separate records for expenses and production from any acreage not insured.

The record retention period may be extended beyond three years with written notification by the company. The insured's failure to keep and maintain such records will, at the company's option, result in:

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- Cancellation of the policy;
- Assignment by the company of the covered expenses;
- Assignment by the company of the value to, or quantities of, insured crops; or
- A determination that no indemnity is due.

ACCESS TO INSURED CROP AND RECORDS

Any person designated by the company will, at any time during the record retention period, have access:

- To the farm; and
- To any records relating to this insurance at any location where such records may be found or maintained.

The company may examine the insured's agricultural operation as often as they reasonably require. The company will have access to the insured acreage to take soil samples to verify claimed fertilizer expenses.

By applying for insurance under the authority of the Act or by continuing insurance for which you previously applied, the insured authorizes the company, or any person acting for the company, to obtain records relating to the insured crop from any person who may have custody of those records. The insured must assist the company in obtaining all records requested from third parties, including, but not limited to:

- FSA offices
- Banks
- Warehouses
- Gins
- Cooperatives
- Marketing associations
- Accountants

24. OTHER INSURANCE

OTHER LIKE INSURANCE

The insured must not obtain any other crop insurance issued under the authority of the Act on their share of the insured crop. If the company determines that the insured has more than one policy on their share, the consequences are as follows:

- <u>If the violation is intentional</u>, the insured may be subject to the sanctions authorized under this policy, the Act, or any other applicable statute; or
- <u>If the violation was **not** intentional</u>, the policy with the earliest date of application will be in force and all other policies will be void.

Nothing in this section prevents the insured from obtaining other insurance not issued under the Act.

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Other Insurance Against Fire

If the insured has other insurance against damage to the insured crop by fire during the insurance period, any indemnities from such insurance will be included as allowable income.

25. Conformity to Food Security Act

No change from the Common Crop Insurance Policy (*01-BR, Section 23. Conformity to Food Security Act*).

26. Amount Due Us

No change from the Common Crop Insurance Policy (*01-BR, Section 24. Amount Due Us*).

27. Legal Action Against Us

No change from the Common Crop Insurance Policy (*01-BR, Section 25. Legal Action Against Us*).

28. Payment and Interest Limitations

No change from the Common Crop Insurance Policy (*01-BR, Section 26. Payment and Interest Limitations*).

29. Concealment, Misrepresentation or Fraud

No change from the Common Crop Insurance Policy (*01-BR, Section 27. Concealment, Misrepresentation or Fraud*).

30. Transfer of Coverage and Right to an Indemnity

No change from the Common Crop Insurance Policy (*01-BR, Section 28. Transfer of Coverage and Right to Indemnity*).

31. Assignment of Indemnity

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No change from the Common Crop Insurance Policy (*01-BR, Section 29. Assignment of Indemnity*).

32. Subrogation (Recovery of Loss From a Third Party)

No change from the Common Crop Insurance Policy (*01-BR, Section 30. Subrogation (Recovery of Loss From a Third Party)*).

33. Applicability of State and Local Statutes

No change from the Common Crop Insurance Policy (*01-BR, 31. Applicability of State and Local Statutes*).

34. Descriptive Headings

No change from the Common Crop Insurance Policy (*01-BR, Section 32. Descriptive Headings*).

35. Notices

No change from the Common Crop Insurance Policy (01-*BR, Section 33. Notices*).

36. Multiple Benefits

No change from the Common Crop Insurance Policy (*01-BR, Section 35. Multiple Benefits*).

37. Substitution of Yields

No change from the Common Crop Insurance Policy (*01-BR, Section 36. Substitution of Yields*).

38. High Risk Land

The High Risk Land Exclusion Option is not available under this policy.

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SUMMARY

In this chapter, the COP Policy Provisions were discussed. The primary things to remember from the chapter are:

- ✓ Definitions – especially concerning all expense categories
- ✓ If the expenses are not paid out, the insured is not covered for them.
- ✓ CAT coverage is not available.
- ✓ Records are extremely important
- ✓ Basic and optional units are not available.

QUESTIONS

1) Which expense in not an allowable expense and will not be covered?
   a. Fuel
   b. Accounting
   c. Premium and administrative fee for the COP policy
   d. Repairs and maintenance

2) Which of the following is not a variable cost expense?
   a. Capital depreciation
   b. Fuel, lube, and utilities
   c. Chemical
   d. Custom operations

3) Maximum allowable land fee expense and fixed cost expenses can be found in:
   a. The COP Basic Provisions
   b. The COP Crop Provisions
   c. The COP Special Provisions
   d. The COP Underwriting Guide

4) CAT Risk Protection is available in the COP program.
   a. True
   b. False

5) In the event of loss or damage covered by this policy, the covered expenses will be reduced it the approved expenses cannot be documented or were not expended.
   a. True
   b. False

6) This unit is established from two or more enterprise units that contain planted insured crop acreage. It may not be available during the early stages of the COP pilot.
   a. Enterprise unit

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b. Whole-farm unit
c. Optional unit
d. Basic unit

7) The insured can cover their irrigated and non-irrigated acreage of the same crop on two separate policies.
    a. True
    b. False

8) COP is a continuous policy.
    a. True
    b. False

9) The insured has the flowing data: $200 Approved Expenses per acre and 75% coverage level. What are his covered expenses?
    a. $275.00
    b. $125.00
    c. $266.67
    d. $150.00

10) The insured's approved expenses per acre can exceed the insured's expected gross income per acre.
    a. True
    b. False

11) In the event the insured is prevented from planting the intended crop, if there is no other crop planted, the insured's indemnity will be based on the approved expenses (per acre) expended.
    a. True
    b. False

12) The covered expenses for each acre planted to the insured crop during the late planting period will be reduced what percentage per day for each day planted after the final planting date?
    a. 1%
    b. 2%
    c. 3%
    d. 4%

13) Drought of failure of the irrigation water supply will be considered to be an insurable cause of loss for the purposes of prevented planting.
    a. True
    b. False

14) In the case of second crops, the land fee expenses and fixed cost expenses for the crop that was prevented from being planted will be based on the:

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a. Expected gross income of each crop
b. Average acreage of each crop
c. Expected yield of each crop
d. The total land fee

15) Records used to establish COP allowable expenses and allowable income by crop must be retained for a maximum of two years after the end of the crops year.
a. True
b. False

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CHAPTER 2

COP COTTON CROP PROVISIONS

INTRODUCTION

Chapter 2 covers sections 1-12 of the Cotton Crop Provisions. COP provisions that are identical to the same provision in the MPCI Cotton Crop Provisions will not be detailed, but will be noted as such. COP provisions that are not contained in the MPCI Cotton Crop Provisions or provisions that have modified language will be discussed in depth. In most cases, the language is also included. Examples will be provided where applicable.

LEARNING OBJECTIVES

1) Become familiar with the definitions (section 1) of:

- Allowable Income
- Expected Gross Income
- Expected Market Price
- Late Planting Period
- Loan Deficiency Payments
- Price per Pound

2) Be trained on the following provisions regarding COP cotton policies:

- Contract Change Date (Section 2)
- Cancellation and Termination Dates (Section 3)
- Insured Crop (Section 4)
- Insurable Acreage (Section 5)
- Insurance Period (Section 6)
- Causes of Loss (Section 7)
- Duties in the Event of Damage or Loss (Section 8)
- Settlement of Claim (Section 9)
- Replant (Section 10)
- Prevented Planting (Section 11)
- Written Agreements (Section 12)

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LESSON

1. DEFINITIONS

ALLOWABLE INCOME

In addition to those sources identified in the COP Insurance Basic Provisions, the following sources are considered "allowable income" for cotton:

- Value of or any income received from cotton seed;
- The amount of any LDP payment received or requested; and,
- For any appraised mature harvestable production and eligible harvested unsold production for which an LDP has not been received or requested, the applicable LDP on the date of final loss adjustment. In the event the LDP is subject to any payment limitation, the amount of any LDP that would have been available without such payment limitation will be included as allowable income.

Disaster, emergency, direct, and counter-cyclical payments are not considered as allowable income.

EXPECTED GROSS INCOME

In lieu of the definition contained in the COP Basic Provisions, expected gross income (per acre) is determined by multiplying the approved yield per acre by the applicable conversion factor for non-irrigated skip-row cotton patterns, and multiplying the result by the expected market price times your share.

EXPECTED MARKET PRICE

In lieu of the definition contained in the COP Basic Provisions, the expected market price is the higher of the applicable county Farm Service Agency (FSA) loan rate, the FCIC issued established or additional price election, whichever is applicable, or a contract price if requested and approved on or before the sales closing date.

If a contract price is approved for less production than the total approved APH yield, the expected market price will be a weighted average of the contract price and the other applicable price. The applicable price will be increased to reflect the expected value of the cottonseed.

LATE PLANTING PERIOD

In lieu of the definition contained in the COP Basic Provisions, the late planting period for cotton begins the day after the final planting date and ends 15 days after the final planting date.

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Loan deficiency payments (LDPs)

A commodity payment program authorized by the Food Security Act of 1985 that makes direct payments, equivalent to marketing loan gains, to wheat, feed grain, upland cotton, rice, or oilseed producers who agree not to obtain non-recourse loans, even though they are eligible. Loan deficiency payments are available under the Farm Security and Rural Investment Act of 2002.

Price per pound

The price per pound received for sold production and the contract price for any harvested unsold production that has been contracted.

For appraised harvestable mature production and harvested unsold production which has not been contracted, the price per pound will be the price quotation for the applicable growth area for cotton of like quality contained in the Daily Spot Quotations published by the USDA Agricultural Marketing Service on the date the last bale is classed or the date of final loss adjustment if there is no harvested production. If the date the last bale is classed is not available, the price quotation will be determined on the date the last bale is delivered to the warehouse, as shown on the producer's account summary obtained from the gin.

The price per pound for immature appraised production will be the expected market price, and no LDP will be included in allowable income.

If the price for sold or contracted production is not representative of prices offered by buyers in the area in which you normally market your crop, we may determine the price per pound by using the price per pound such buyers offered for like production on the date of sale or contract.

2. Contract Changes

No change from the Cotton Crop Provisions (99-021, *Section 3. Contract Changes*).

3. Cancellation/Termination Dates

The Cancellation and Termination Dates have been modified. The first group of counties has a Cancellation/Termination Date of January 31, rather than January 15 as listed in the MPCI Cotton Crop Provisions. The February 28 and March 15 dates have not changed.

Cancellation/Termination Dates

Further discussion regarding the life of the policy, and cancellation and termination can be found in the Chapter 1.

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<table>
<tr><th>January 31</th><th>February 28</th></tr>
<tr><td>Val Verde, Edwards, Kerr, Kendall, Bexar, Wilson, Karnes, Goliad, Victoria, and Jackson Counties, Texas, and all Texas counties lying south thereof;</td><td rowspan="3">Alabama; Arizona; Arkansas; California; Florida; Georgia; Louisiana; Mississippi; Nevada; North Carolina; South Carolina; El Paso, Hudspeth, Culberson, Reeves, Loving, Winkler, Ector, Upton, Reagon, Sterling, Coke, Tom Green, Concho, McCulloch, San Saba, Mills, Hamilton, Bosque, Johnson, Tarrant, Wise, and Cooke counties, Texas, and all Texas counties lying south and east thereof to and including Terrell, Crocket, Sutton, Kimble, Gillespie, Blanco, Comal, Guadalupe, Gonzales, De Witt, Lavaca, Colorado, Wharton, and Matagorda Counties, Texas;</td></tr>
<tr><th>March 15</th></tr>
<tr><td>All other Texas counties and all other states.</td></tr>
</table>

4. Insured Crop

The majority of this section is similar to the MPCI Cotton Crop Provisions and the changes made as compared to that policy are minor. The word “lint” has been removed for COP Insurance, and the insured crop now reads only “cotton.”

New to the COP Insurance Pilot Program is the requirement that the insured must insure under COP Insurance “all of the crop in the United States for which COP premium rates are provided in the actuarial documents.”

Example

Joe Farmer owns cotton in Lubbock County, TX and also has cotton in Franklin County, LA (both of which are pilot counties for the COP Insurance Program). He must insure both cotton crops under COP Insurance. He cannot insure his cotton in TX under COP and his cotton in LA under APH since COP insurance if offered in both counties.

Like the MPCI Cotton Provisions, the crop insured will be all the cotton:

- In which the insured has a share;
- That is not (unless allowed by the Special Provisions):
  1) Colored lint;
  2) Planted into an established grass or legume;
  3) Interplanted with another spring planted crop;
  4) Grown on acreage from which a hay crop, including a small grain hay crop regardless of the percentage of small grain plants that reach the

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headed stage, was harvested in the same calendar year unless the acreage is irrigated; or

5) Grown on acreage on which a small grain crop reached the heading stage in the same calendar year unless the acreage is irrigated or adequate measures are taken to terminate the small grain crop prior to heading and less than fifty percent (50%) of the small grain plants reach the heading stage.

5. Insurable Acreage

No change from the Cotton Crop Provisions (99-021, *Section 6. Insurable Acreage*).

6. Insurance Period

No change from the Cotton Crop Provisions (99-021, *Section 7. Insurance Period*).

7. Causes of Loss

The addition of "Decline in Price", as a covered cause of loss, is the only difference between the COP Insurance and the MPCI Insurance covered causes of loss. The other causes of loss have not changed and must occur during the insurance period.

- Adverse weather conditions;
- Fire;
- Earthquake;
- Insects, but not damage due to insufficient or improper application of pest control measures;
- Plant disease, but not damage due to insufficient or improper application of disease control measures;
- Volcanic eruption;
- Wildlife, unless control measures have not been taken;
- Failure of the irrigation water supply, if applicable, caused by an insured peril that occurs during the insurance period; or
- **Decline in price.**

8. Duties in the Event of Damage or Loss

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No change from the Cotton Crop Provisions (99-021, *Section 9. Duties in the Event of Damage or Loss*).

9. Settlement of Claim

Losses will be determined on a unit basis.

Indemnity Calculation

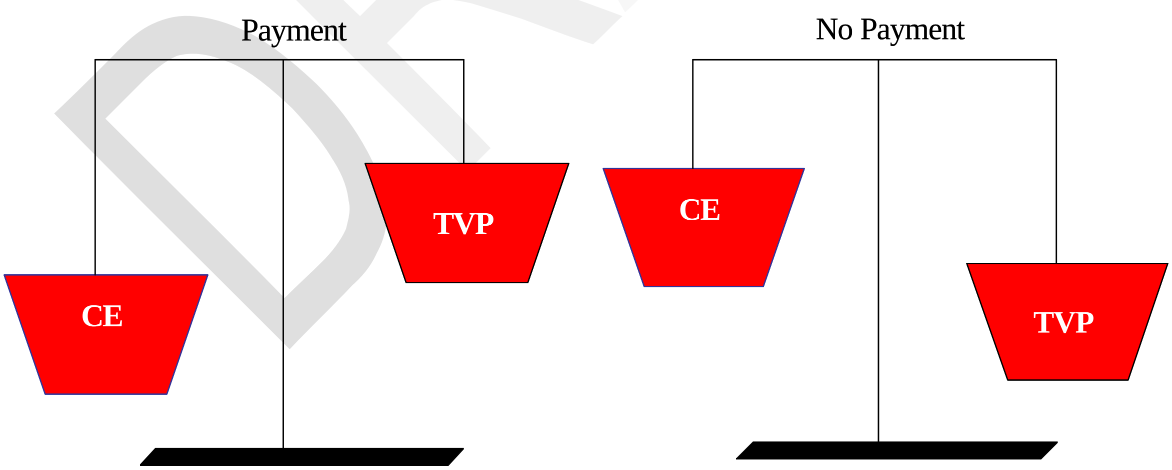
Indemnity = [Insurable Acreage X Covered Expenses (per acre)] – [Total Value of Harvested and Appraised Production + Other Allowable Income]

Example: Indemnity Calculation

Joe Farmer has 100% share in 100 acres. His covered expenses per acre are $400. He harvests 40,000 pounds and receives $0.60 per pound.

(100 acres x $400) – (40,000 lbs x $0.60) = $16,000 payment

A simple way of to understand the concept of COP Insurance is by comparing the program to balance scales. If the covered expenses are greater than the Total Value of Production (TVP), a payment is made for the difference. However, if the TVP is greater than the covered expenses, no payment is due. This is illustrated in the figure below. A more complex example follows.



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Determination of the Value of Production

The Value of Appraised Production

The value of **appraised** production is determined as follows:

1) Not less than the covered expenses per acre for any acreage damaged SOLELY by uninsured causes (see Example 1 below)

2) The price per pound multiplied by your share of the acreage that is damaged PARTLY by uninsured causes (see Example 2 below)

3) Covered expenses will be reduced due to any decreased expenses including those for not harvesting. The value of the appraised production will be the amount (if any) that exceeds such reductions.

<u>Example 1: Value of Production Source #1- Appraised (Solely Uninsured)</u>

If 10 acres were abandoned without consent, the adjuster would refer to the Covered Expenses Worksheet to determine the covered expenses per acre for the applicable practice. Assuming the covered expenses were $400 per acre, (10 x $400 = **$4,000**) would be included in the total value of production.

<u>Example 2: Value of Production Source #2 – Appraised (Partly Uninsured)</u>

If 10 acres had not been properly cared for, resulting in a loss of production, the adjuster would make an appraisal of the remaining production. This appraised production is then multiplied by the expected market price and the applicable acres. Assuming the appraised production per acre is 300 pounds and the expected market price is $0.56, (300 lbs x $0.56 x 10 = **$1,680)** would be included in the total value of production. No LDP is included for appraised production.

The Value of Harvested Production

The value of **harvested** production is determined by multiplying the insured's share of the pounds harvested by the price per pound (see Example 3 below).

<u>Example 3: Value of Production Source #3 – Harvested Production</u>

Harvested Production = 40,000 pounds
Price per pound received from gin = $ 0.40
Value of harvested production = 40,000 lbs x $0.40 = **$16,000**

DETERMINATION OF THE VALUE OF OTHER ALLOWABLE INCOME

The value of **other allowable income** will be the insured's share of the total of such categories as approved by the Company (see Example 4 below). This includes:

1) Value received from the sale of any cottonseed;

2) Amount of any LDP received or requested for harvested, **sold** production;

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3) Amount of applicable LDP on the date of final loss adjustment for harvested, **unsold** production (This includes cotton placed under the Marketing Assistance Loan Program).

4) Indemnities from named peril crop insurance, such as hail.

Example 4: Value of Production Source #4 – Other Allowable Income

Assume all harvested production has been sold. The producer received an LDP of $0.15 per pound. The producer sold 72,000 pounds of cottonseed (1.8 x 40,000) for which he received $0.05 per pound.

The following amounts would be included in the total value of production:

Amount from LDP's = 40,000 lbs x $0.15 = **$6,000**
Amount from cottonseed = 72,000 lbs x $0.05 **= $3,600**
Total Other Allowable Income = $6,000 + $3,600 = $9,600

NOTE: Production that cannot be marketed due to insurable causes will **NOT** be considered in the value of production.

DETERMINATION OF THE TOTAL VALUE OF PRODUCTION

The value of all appraised production, harvested production and other allowable income is combined to determine the TVP (see Example 5 below).

Example 5: Total Value of Production

In this example the total value of production would be:

Appraised Production (solely uninsured)	$4,000
Appraised Production (partly uninsured)	$1,680
Harvested Production	$16,000
Other Allowable Income	$9,600
	$31,280

Because the covered expenses are greater than the TVP, the producer would receive an indemnity payment equal to the difference.

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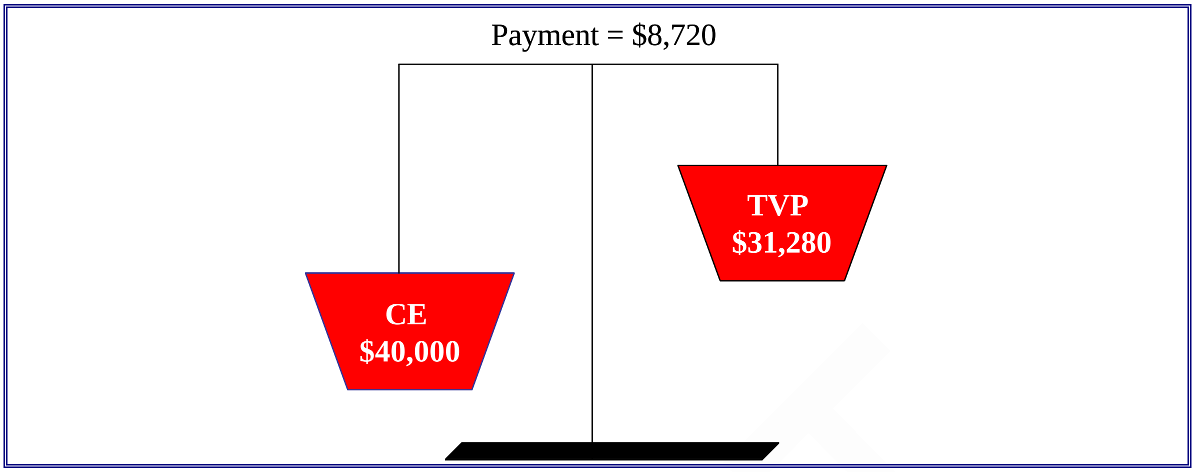

10. Replant, 11. Prevented Planting, and 12. Written Agreements

Replant

Unlike MPCI, cotton is treated like all other annual program crops, where replant is concerned. Cotton insured under COP Insurance is eligible for an increase in covered expenses due to replant. Replant is described further in Chapter 1.

Prevented Planting

The COP Insurance provision for prevented planting has been modified slightly from the MPCI provisions. A producer's prevented planting covered expenses per acre are based on a net acre basis for skip-row planting. Prevented planting is described further in Chapter 1.

Written Agreements

As with any pilot program, written agreements are not available at this time. However, if and when the pilot program is made permanent, written agreements may apply.

Summary

The primary things to remember from this chapter are:

- ✓ Allowable income for cotton includes LDP payments and the value received from cottonseed.
- ✓ ELS cotton is not insurable under the COP pilot program
- ✓ Producers must insure all the acreage of cotton, wherever grown in the U.S. under COP Insurance, where COP actuarial documents are available.

- ✓ In addition to the causes of loss covered under MPCI, COP Insurance covers a decline in price.
- ✓ An indemnity is determined by subtracting the total value of production from the total covered expenses.
- ✓ The value of production includes the value of appraised production, the value of harvested production and all other allowable income.
- ✓ COP Insurance does not make replant payments. Rather, producers who meet replant requirements are eligible for an increase in covered expenses.
- ✓ Written agreements do not apply during the pilot phase.

QUESTIONS

1) A producer who grows cotton in two separate counties (both of which are pilot counties for COP Insurance) can insure one county under COP Insurance and the other county under MPCI Insurance.
   a. True
   b. False

2) Which of the following causes of loss has been added for COP Insurance:
   a. Insects
   b. Disease
   c. Failure of Irrigation Equipment
   d. Decline in Price

3) Under COP Insurance an indemnity is determined by subtracting which of the following from the covered expenses:
   a. Total Production to Count
   b. Total Value of Production
   c. Total Revenue
   d. Total Allowable Income

4) A replant payment is available for cotton insured under COP Insurance:
   a. True
   b. False

5) Written agreements are currently available for COP Insurance:
   a. True
   b. False

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CHAPTER 3
INCREASED COVERED EXPENSES ENDORSEMENT

INTRODUCTION

Chapter 3 provides and overview of the Increased Covered Expenses Endorsement. This endorsement is optional and may be purchased by the producer at the beginning of the crop year. The endorsement can be exercised in the event of the unforeseen need for increased pesticide purchase and application.

LEARNING OBJECTIVES

In this chapter, you will learn the provisions of the Increased Covered Expenses Endorsement. An example is provided for further clarification.

LESSON

COP Insurance provides an optional endorsement that allows producers to increase their covered expenses by an amount reflecting the increased cost of purchasing and applying a **pesticide** for the applicable crop. This endorsement is intended to increase the liability for producers who are faced with unforeseen need to provide sufficient care to protect the insured crop from damage by one or more of the insured causes of loss that occurred after insurance attached for the crop year.

The insured must notify the insurance provider of their intention to purchase and apply the additional pesticide at least 10 days prior to doing so.

The amount of the increase cannot exceed **25% of the total variable expenses** shown on the approved covered expenses worksheet. The total covered expenses cannot exceed the expected gross income.

Example

Joe Farmer purchased the increased covered expenses endorsement prior to the sales closing date. He realizes that he has an unforeseen insect problem mid-way through the season. He notifies the insurance provider 10 days prior to purchasing the pesticides.

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Assume that his total variable expenses for acreage are $300. His expected gross income is $425. The maximum increase for pesticide purchase is $300 x 25% = $75. If the producer files a claim, the adjuster will request verifiable records of the increased pesticide expense.

SUMMARY

The Increased Covered Expenses Endorsement is an optional endorsement available to producers. In the event that the producer needs to purchase additional pesticides due to an unforeseen insect, weed or disease problem, the endorsement allows a one-time increase in their covered expenses.

QUESTIONS

1) The purpose of the Increased Covered Expenses Endorsement is to allow insureds to increase their covered expenses due to increased ___________.
    a. Irrigation usage
    b. Fertilizer usage
    c. Pesticide usage
    d. Labor usage

2) The amount of the increase cannot exceed 25% of the Expected Gross Income.
    a. True
    b. False

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CHAPTER 4

COP General Underwriting Guide

Introduction

The COP Insurance Pilot Program General Underwriting Guide provides underwriting standards for the COP Pilot Crop Insurance Program. As such it is modeled after the RMA Crop Insurance Handbook (CIH). The underwriting guide is a stand-alone document for COP insurable crops and incorporates the specific COP standards in a format consistent with the CIH.

The following sections of the COP Insurance Underwriting Guide represent changes or insertions made to the RMA CIH specifically to apply that section to COP:

<u>4. General Rules</u>

- A. Insurance Offer
  - 6. Other Crop Insurance
  - 8. Other Insurance/Excess Coverage
- B. Linkage Requirements
  - 3. Administrative Fees
  - 4. Waiver of Administrative Fees
  - 6. Rounding Rules
- C. Applications for Insurance
  - 4. Selecting Coverage
  - 5. Coverage Categories
- D. Coverage
  - 2. Unit Determination and Numbering
  - 3. Increase in Covered Expenses Due to Replanting
  - 4. Late Planting (LP)
  - 5. Prevented Planting (PP/Basic Provisions)
- E. Endorsements and Options
  - 1. Increased Covered Expenses Endorsement
  - 2. Request to Exclude Hail and Fire
- F. Service Forms and Administrative Requirements
  - 3. Covered Expense Worksheet

<u>5. Underwriting, Expense, and Production Reporting Responsibilities (Category B and C Crops)</u>

- A. Agents/Representatives are Responsible For:
  - 2.(d). Assisting producers…
  - 17. Explaining COP Covered Expenses Worksheet Entries
  - 18. Sources of Production Cost Information…
  - 19. Annual Covered Expense Worksheet Updates
  - 20. Request to Exclude Hail/Fire

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- B. Producers/Insured are Responsible For:
  - 8. Filing Annual Production Reports
- E. Expended Expenses and Approved Yield Verification at Time of Loss
  - 1. Perform COP Field Reviews
  - 2. Review Covered Expenses and Approved Yields

6. Category B COP Crop Procedures

- Overview of the COP program
- B. Eligible Category B Crops and Procedures

7. Category C COP Crops (Perennial Crops

8. Use of the Production and Yield Reporting Form

- E. Combining and Splitting of Units

9. Acreage and Production Evidence Requirements

12. Approved Yield Adjustment

Only the sections of the COP Insurance Underwriting Guide specific to COP Insurance will be covered in this lesson plan. The balance of the Underwriting Guide mirrors the RMA CIH and as such will be covered in training designed for that Handbook.

LEARNING OBJECTIVES

After completing this section, you should be able to:

- Be familiar with the overall structure of the Underwriting Guide in such a manner that specific questions or issues can be effectively referenced.
- Identify and understand the COP specific items.
- Understand your responsibilities in administering the COP insurance program
- Effectively administer the COP insurance program.

LESSON

4. GENERAL RULES

The general rules are consistent with the general rules specified in the CIH with the following exceptions:

A. INSURANCE OFFER

6. Other COP Insurance.

There is no high-risk land exclusion option available to a COP insured as CAT is not an available plan of insurance under COP. Adjusted Gross Revenue policies are not available in conjunction with COP.

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8. Other Insurance/Excess Coverage.

COP insurance is excess of other hail or fire insurance. Any indemnities earned or payable for damage due to hail or fire will be counted as allowable income against any COP covered expenses when a claim for indemnity is calculated.

B. Linkage Requirements

A producer with COP insurance is "linked" for purposes of other USDA programs requiring such linkage.

3. Administrative Fees.

For a COP policy, each insured is required to pay an administrative fee each year insurable acreage of the crop is planted or a prevented planting acreage report is filed.

- The fees are paid to the insurance provider.
- The administrative fee per crop per county for new and carryover contracts is $30.00, is established when the insurance attaches, and is due by the premium billing date.

Third parties are prohibited from paying administrative fees on producers'/insureds' behalf.

- Insurance Providers, insurance agents, producer associations, grower groups, farm cooperatives, etc., may not pay administrative fees for producers/insureds.
- Only those persons acting in place of the producer/insured under a power of attorney, landlord/tenant agreement, or a legal guardianship, may pay the administrative fee.

4. Waiver of Administrative Fees.

The administrative fee for COP may be waived for a limited resource farmer.

- <u>New insureds that wish to be exempt</u> from paying administrative fees must request a waiver at the time of application (on or before the sales closing date). For carryover insureds, waiver requests must be made annually by the crop's final acreage reporting date. The insured must provide proof of qualifying income OR CERTIFY on the request for waiver that he or she qualifies as a limited resource farmer.
- <u>Insurance Providers approve or reject</u> the Request To Waive Administrative Fees. If the producer certifies eligibility and the Insurance Provider has reason to question the producer's eligibility, the Insurance Provider may require proof of income (i.e., income tax returns) for the previous two years prior to allowing the producer to qualify for a limited resource farmer status.

    - If the producer does not qualify as a limited resource farmer, the Insurance Provider shall provide written notice to the producer that the administrative

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fee must be paid in accordance with policy terms or the policy will be terminated and the person will become ineligible for insurance coverage.

- If adequate proof is not provided and it is found that the producer intentionally misrepresented their status, the policy will be voided. The voidance will be effective at the beginning of the crop year in which the misrepresentation took place.

- If selected for any COP program review, eligibility for waiver of administrative fees must be verified and the insured will be required to provide proof of gross income.

6. Rounding Rules

The following rounding rules are in place for COP insurance:

Item	Form	Unit of Measure	Round To:
Coverage Level	Application, Acreage Report, Summary of Coverage	Percent	5.00
Covered Expenses	Summary of Coverage, Claim	Dollars	1.00
Share (interest)	Application, Covered Expenses Worksheet, Acreage Report, Claim	Thousandths	0.001
Acres	Application, Covered Expenses Worksheet, Acreage Report, Block Production, Claim	Acres	0.10
Premium	Summary of Coverage	Dollars	1.00
Approved Yield	Production Report, Covered Expenses Worksheet	Bushels, Boxes, Cartons, Lugs, Hundredweight, Pounds,	1.00
		Barrels, Tons	0.10
Expenses/ Costs	Covered Expenses Worksheet	Dollars	0.01
Increase in amount of covered expenses	Summary of Coverage	Dollars	1.00
Allowable Income	Claim	Dollars	1.00
Indemnities	Claim, Settlement	Dollars	1.00
Price/LDP	Claim, Covered Expenses Worksheet	Dollars	0.01

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C. Applications for Insurance

4. Selecting Coverage.

The insured's COP coverage is determined by the level of coverage selected.

- The level of coverage is chosen at the time the application is completed.
- The level of coverage may be changed if requested in writing on or before the applicable sales closing date for the crop.
- A crop may be insured at 65%, 70%, 75%, 80%, or 85% of the Approved Expenses as shown on the Covered Expenses Worksheet.

All acreage of the insured crop within a county must be insured at the same level.

5. Coverage Categories.

For administrative purposes, COP coverage levels and subsidy percentages are shown below.

Coverage Level Percentage (%)	65	70	75	80	85
Subsidy Percentage (%)	59	59	55	48	38

D. Coverage

2. Unit Determination and Numbering.

- All acreage of a COP insurable crop, regardless of where produced must be insured under COP insurance if COP insurance is available in the county.
- COP insurance is available on an Enterprise Unit basis only by crop or crop type if provided for in the special provisions and county as the basic unit.
- A five-position unit number will be used. The first three positions will designate the enterprise unit and the last two positions will always be "00". For any specific crop insured under COP the unit number will be 00100.
- Upon the request of the insured the insurance provider may assign sub unit numbers consistent with APH unit numbering conventions to facilitate maintaining production history on a unit basis when moving from one insurance plan to another.

3. Increase in Covered Expenses Due to Replanting.

Coverage for the cost of replanting under COP is provided as an increase in covered expenses due to replanting. The amount of the increase in covered expenses due to

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replanting is specified on the Special Provisions of Insurance (SPOI). No increase in covered expenses for replanting will be available if

- it is determined to be impractical to replant;
- the value of appraised production will exceed covered expenses;
- the acreage was planted prior to the earliest planting date; or
- the acreage already received an increase in covered expenses for replanting for that crop year.

4. Late Planting (LP).

Late planting provisions, if applicable, provide reduced coverage for insurable acreage planted during any applicable late planting period. This reduction is one percent per day for each day planted after the final planting date, up to a maximum of 25 days (unless otherwise specified in the crop provisions. Note: For example, the COP cotton crop provisions specify one percent per day up to a maximum of 15 days.

For insurable acreage that was prevented from being planted but was planted after the late planting period (after the final planting date for crops that do not have a late planting period) for crops that have prevented planting coverage, a reduction in the covered expenses will be applicable.

The covered expenses for each acre planted under the above specified conditions *will be determined by multiplying the covered expenses that are provided for timely planted acreage of the insured crop by 50 percent*.

5. Prevented Planting (PP/Basic Provisions).

Coverage for eligible PP acreage is provided for by the COP Basic Provisions unless limited by the COP crop provisions.

E. Endorsements and Options

1. Increased Covered Expenses Endorsement.

This is a continuous endorsement to Crop Provisions issued under the Pilot Cost of Production Insurance Policy.

- The insured may include this endorsement on the original application for insurance or add the endorsement for any crop year on or before the sales closing date for the crop.
- After the initial insurance year the insured may cancel this endorsement on or before the cancellation date shown in the Crop Provision(s) to which this endorsement applies.

In return for payment of the additional premium specified in the Actuarial Table, this endorsement is attached and made part of the Crop Provisions subject to the terms and conditions described herein.

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This endorsement allows the insured to increase the covered expenses amount shown on the summary of coverage by an amount reflecting the increased cost of purchasing and applying a pesticide for the applicable crop provided that:

- The insured has a Pilot COP Crop Insurance Policy in force and elects to increase the allowable variable expenses for pesticide purchase and application only if provided in the actuarial documents for the crop.
- The increase in allowable variable expenses must have resulted from an unforeseen need to provide sufficient care to protect the insured crop from damage by one or more of the insured causes of loss that occurred after insurance attached for the crop year.
- The insured notifies the agent prior to purchase of the intention to purchase and apply additional pesticides and we approve the increase in allowable expenses within 10 days.
- The increase in allowable variable expenses for pesticide purchase and application does not exceed 25% of the total variable expenses shown on the approved Covered Expenses Worksheet, which is used to establish the covered expenses shown on the summary of coverage. The revised covered expenses requested under this endorsement cannot exceed the policy deductible. The total covered expenses cannot exceed the expected gross income.
- In the event the insured files a claim for indemnity, verifiable records of the increased pesticide expenses, including application expenses, are provided to the agent and are acceptable to the company.

2. Request to Exclude Hail and Fire.

As COP insurance is excess to hail and fire coverage every COP insured should be advised to request to exclude hail and fire coverage from their COP insurance plan if the optional coverage factor is less than 1.00 and the insured has obtained hail and fire liability coverage equal to or greater than the total COP liability for the insured crop.

Use the FCI-78 or a Request to Exclude Hail and Fire form approved by RMA to exclude hail and fire as an insured cause of loss from COP policies. [NOTE: Completion instructions for section 3 E of the form are not applicable to COP.] Insureds executing a Continuous Hail and Fire Exclusion Option must provide a copy of the annual hail and fire declaration sheet showing the required amount of hail and fire coverage each year. The Exclusion applies to any applicable option.

- Deadlines. The request to exclude hail and fire coverage must be submitted to the Insurance Provider within:
  - 72 hours after the effective date of an annual hail and fire policy or the first year a multi-season hail and fire policy is in force. This request must be made on or before the date COP coverage attaches for the crop year when a multi-season hail and fire policy (except the first year) is in effect.

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- 72 hours of the date a private hail policy is first in effect for insureds who have signed the Request to Exclude Hail and Fire form, or before the date COP coverage attaches for a crop year after the first crop year a multi-season hail and fire policy is in effect.

- Eligible acreage. The hail and fire exclusion applies to all acreage of the crop insured.
- Hail and Fire Liability Requirements. For each crop year the hail and fire exclusion is in effect, the total liability for the hail and fire coverage on the crop must be equal to or greater than the total COP liability for the crop. Liability for acreage that is eligible for prevented planting but was not planted is NOT considered and the premium is not reduced on such acreage.
- Hail and Fire Providers. Hail and fire policies must be obtained from a company licensed in the state where the COP coverage is provided in order to exclude hail and fire from the COP policy. If hail and fire coverage is provided by unlicensed entities/companies, the Reinsurance Services Division must approve the hail and fire exclusion from the COP policy. The policy must include BOTH hail and fire coverage for the policyholder to be eligible for the premium credit for hail and fire exclusion from the COP policy.
- Liability Revisions. The insured may revise the liability on the hail and fire exclusion form to reflect the liability for the reported acreage on the insured crop provided:
    - The difference between the total acreage report liability and the total liability shown on the original hail and fire exclusion form is more than one percent. (An insured will be considered to have a like amount of private hail and fire liability if the difference in liability described above is less than one percent.)
    - The hail and fire exclusion form showing the revised liability must be submitted no later than 15 days after the liability (based on the reported acreage) is established.
- If the crop has been damaged to the extent that a loss has occurred and an indemnity is to be, or may be claimed on any unit of the crop, a request for hail and fire exclusion will not be accepted for that year (on a continuous hail and fire exclusion, the exclusion will not be effective until the following year). Issuance of a prevented planting payment or an increase in covered expenses due to replant, for any insured unit, will not affect an insured’s ability to exclude hail and fire coverage.
- Hail or Fire Damage. If hail and fire coverage is excluded from the COP policy and the crop is subsequently damaged by hail or fire, any hail or fire indemnity earned or payable will be counted as allowable income as provided for under the COP policy.
- The COP premium reduction for the hail and fire exclusion option is shown on the county actuarial table as an Option Factor. The base premium rate shall be reduced by the hail/fire exclusion factor shown on the actuarial table. Liability

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times the base premium rate times the hail and fire exclusion factor multiplied by the applicable producer premium factor equals the producer premium without hail and fire as shown:

________	x	________	x	_________	=	__________
Base Premium		Subsidized Premium		Hail & Fire Exclusion Factor		Producer Premium Factor

F. Service Forms and Administrative Requirements

3. Covered Expenses Worksheet

The insured utilizes the Covered Expenses Worksheet to establish their estimated per acre expenses, by expense category, they intend to expend to produce the crop during the crop year, subject to any limitations specified on the actuarial documents or SPOI. The insured's total Allowable Expenses are compared to the insured's Expected Gross Income and the lesser amount is the Approved Expenses, subject to any adjustments, limitations or restrictions specified in the instruction for the expenses worksheet. The Covered Expenses Worksheet is part of the Application for Insurance and is sent with the Application to the insurance provider. The worksheet is continuous unless changed by either party with the approval of the other as provided by the policy.

A separate lesson plan covers the preparation and disposition of the Covered Expenses Worksheet (see Chapter 6).

5. Underwriting, Expense, and Production Reporting Responsibilities (Category B and C Crops)

A. Agents/Representatives are Responsible For:

2.(d). Assisting producers in the completion of the COP Covered Expenses Worksheet.

Note: A separate module is available for the completion of the Covered Expenses Worksheet (see Chapter 6).

17. Explaining COP Covered Expenses Worksheet entries.

At initial application time:

- Assist the insured in completing the Covered Expenses Worksheet. Refer to the definition section of either the COP Basic Provisions or Chapter One of this guide for detailed definitions of individual expense categories. Explain that the expenses are to reflect only the share of the expense the insured is actually responsible for as landlord or tenant when there is a share arrangement on that acreage. For example, a landlord

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may list an amount in the land fee expense category, but may enter $0 in the variable cost expense category. Similarly, a tenant may enter amounts in the variable and fixed cost expense categories, but may enter $0 in the land fee expense category.

- Explain to the insured that the expenses list in each category should pertain only to the insured crop. The producer must allocate general expenses used for more than one crop, enterprise unit, etc. to only the insured crop. Assist the insured in allocating such expenses based on hours and/or acreage. For example, fuel expenses may be based on hours or acreage.

- Explain to the insured that the total variable cost expenses listed on the Covered Expenses Worksheet may not exceed the dollar limitation shown on the applicable SPOI for the crop. If the total variable cost expenses exceed the amount shown on the Special Provisions, the insured must reduce, in some manner, the expenses being estimated. This reduction must be on an expense category basis.

- Explain to the insured that the combined sum of fixed cost and land fee expenses may not exceed an amount determined by multiplying the percentage shown on the applicable SPOI for the crop by the EGI. If the combined sum of fixed cost and land fee expenses exceed the amount determined by multiplying the percentage shown on the Special Provisions by the EGI, the insured must reduce, in some manner, the expenses being estimated. This reduction must be on an expense category basis.

- Explain to the insured that if at any time during the crop year, he or she experiences an actual cost increase of greater than 20% for one or more of the variable cost expense categories, he or she must notify the agent.

  THE POLICY LIABILITY WILL NOT BE INCREASED AND THE PREMIUM WILL BE BASED ON THE ORIGINAL ANNUAL COVERED EXPENSES WORKSHEET.

- Instruct the insured to maintain a formal written record system of all variable cost expenses for the insured crop and that these records may be requested at any time. If the insurance provider has reason to believe that the primary record does not provide accurate documentation of expenses, the insured may be asked to provide secondary supporting records to verify that the correct amount was reported. Primary records include dated receipts from the seller of the crop inputs; secondary documentation includes accounting records, farm management records, payroll receipts, and/or canceled checks showing the banking institution’s stamp of payment

- Explain how the EGI is calculated and how it limits the amount of approved covered expenses. Explain that if the total allowable expenses exceed the EGI the insured must reduce, in some manner, the expenses being estimated. This reduction must be on an expense category basis. If an expense worksheet is submitted to the insurance provider and the total approved expenses exceed the EGI it will be returned for revision.

- Explain that the producer may report allowable expenses and maintain production records on a farm or practice basis but that the unit for COP is enterprise based, and all insurable acreage of the crop or crop type, if applicable, in the county will be one Enterprise unit.

- Explain that either the insured or the company may, with the approval of the other and prior to the sales closing date for the crop, file a new Covered Expenses Worksheet if costs or the EGI change from year to year.
- Explain that the expenses submitted by the insured on this form must reflect, on a per acre basis, the expenses the insured intends to expend to produce the crop for the crop year. Inform the insured that expenses for personal use, private vehicle expenses, or any other expenses not directly related to the production of the COP insured crop are not insurable expenses under COP.

During the crop year:

- Update the file copy of the Covered Expenses Worksheet if the insured notifies the agent of any cost increase of greater than 20% for an individual variable expense category by striking through the original amount and recording the new amount. Such changes should be initialed and dated on the original Covered Expenses Worksheet.
- Complete a revised Covered Expense Worksheet if the insured notifies the agent that an increase in covered expenses will be exercised under provisions of the Increased Covered Expenses Endorsement. Strike through the original entry in the Chemical category and record the revised amount. Recalculate the following categories: Total Variable Cost Expenses, Total Allowable Expenses, Approved Expenses, and Covered Expenses. Strike though the original amounts and record the revised amount. Sign and date the revised worksheet and resubmit. The insured will be issued a revised Summary of Coverage.

NOTE: The adjuster must verify that the revised Chemical amount does not exceed 25% of the Total Variable Cost Expenses and that the revised Covered Expenses do not exceed the expected gross income.

18. Sources of production cost information to establish reasonability of Variable Costs Expenses:

Cooperative Extension Services, Farm Advisory Services, etc.

19. Annual Covered Expenses Worksheet Updates.

For each subsequent crop year prior to the sales closing date, the agent must obtain the insured's approved yield and the expected market price to re-calculate the insured's EGI. If the insured's covered expenses from the previous crop year exceed the current year's EGI, the agent must notify the insured. The insured must then reduce the expenses on an expense category basis.

20. Request to exclude hail/fire.

Review the optional coverage factor for hail/fire exclusion, and if it is less than 1.00 and the insured is carrying an adequate amount of hail/fire insurance, advise the insured of the COP provision regarding counting any hail or fire indemnity as additional income and suggest completion of a request to exclude hail and fire to reduce the COP premium.

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B. Producers /Insureds are Responsible For:

2. Filing Annual Production Reports.

For COP, insureds must report on an annual basis all production, acres and actual yields on a Production and Yield Report by the Production Reporting Date (PRD). The producer may use the currently approved RMA Production and Yield Report form for this purpose. Other documents, which contain the same information as required by the current approved RMA Production and Yield Report, may be used. If an insured provides a production report by a means other than an RMA approved Production and Yield Report, it MUST CONTAIN THE FOLLOWING CERTIFICATION STATEMENT to be acceptable:

> “I certify that the information I have furnished as reflected on this form is complete and accurate for the commodity(ies), unit(s) and year(s) shown. I understand this form may be reviewed or audited and that information inaccurately reported or failure to retain records to support information on this form may result in a re-computation of the approved yield. I also understand that failure to report completely and accurately may result in voidance of my crop insurance contract and may result in criminal or civil false claims penalties (18 U.S.C. 1006 and 1014; 7 U.S.C. 1506; 31 U.S.C. 3729 and 3730).”

E. Expended Expenses and Approved Yield Verification at Time of Loss.

1. Perform COP Field Reviews

When insureds are affiliated with Crop Insurance (employee, agent, contractor, etc.), and a COP field review has not been performed for the crop year for which the loss is being completed. If a COP field review cannot be performed and the inspection must be made, if the insured has a *bona fide* contract and claim, the inspection may be made but the claim cannot be finalized (do not obtain the insured’s signature) until the COP field review has been performed.

2. Review Covered Expenses and Approved Yields

A current approved Covered Expenses Worksheet and Production and Yield Report must be in the file in order to complete a claim. The insured should be advised to indicate on their copy of the Covered Expenses Worksheet the actual expenses expended for each expense category certified and initial.

If the actual expenses are less than the previously certified expenses, the reduction will be shown as non expended expenses on the claim form.

6. Category B COP Crop Procedures

Overview of the COP Program.

COP yield determination methods provide flexibility the initial year of insurance for insureds that do not furnish acceptable records, and at the same time, improve actuarial efficiency. Approved yields for producers who elect not to supply records are limited to 65 percent of the applicable "T" Yield the first year the producer is insured. Insureds must provide production reports for subsequent crop years according to the terms of the COP policy. For producers who provide less than four years of actual yields, variable "T" Yields are used to complete four-year databases. When four or more years of actual yields are available in a database, "T" Yields are not used in the database. As more years of actual production history are reported, insurance yields more accurately reflect the individual insured's capability of producing the crop.

B. Eligible Category B Crops and Procedures.

Cotton, Corn, Onions, Rice, Soybeans, Sugarcane, and Wheat.

The balance of section 6 applies to COP as it does to APH.

7.Category C COP Crops (Perennial Crops)

Almonds, Cranberries, Peaches and Stonefruit (Apricots, Nectarines and Peaches) are Category C crops for COP.

The balance of section 7 applies to COP as it does to APH.

8. Use of the Production and Yield Reporting Form

The Production and Yield Report form is used to report production for COP insured crops the same as for insured crops under other production guarantee basis crop insurance plans.

E. Combining and Splitting of Units.

When production report(s) are on file and continuity of insurance participation is not broken, the prior yield history must be considered if basic and optional units, under an insurance plan other than COP, are combined to form an enterprise unit under the COP plan when completing the current crop year Production and Yield Report. [Refer to Exhibit 9 in Appendix E for directions and examples.] Refer unit calculations to the RMA Regional Office (RO) for crops requiring RMA RO determined yields.

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9. Acreage and Production Evidence Requirements

Acceptable records are required to substantiate the acreage and production reported on production reports used to calculate the approved yields.

- For crops or portions of a crop not sold or substantiated by records from an independent source (e.g., bartered, used on farm as seed, fed to livestock, a vertically integrated grower-packer, etc.), records MUST BE CONTEMPORANEOUS with the harvesting, storing, or feeding of the insured crop for each crop year reported. For example, feeding records must be maintained on a daily basis, accounting for production fed to livestock and have been generated during the time period production was fed.
- If selected for field review, supporting evidence is required to be available by the insured for all the crop years for which acreage and production was certified on the current crop year Production and Yield Report (by crop).
- Acreage and production evidence must be retained until the calendar date for the end of the insurance year of the third crop year after the end of the crop year for which it is initially certified (e.g., if six crop years are initially certified all six crop years of acreage and production evidence must be retained for three crop years after the initial certification).
- The following acreage and production evidence requirements pertain to all COP crops using the Production and Yield Report as production reports.

The balance of this section is applicable to COP as it is to APH.

12. Approved Yield Adjustment

The Agricultural Risk Protection Act (ARPA) of 2000 allows producers to substitute 60 percent of the applicable "T" Yield for actual yields that are less than 60 percent of the applicable "T" Yield to mitigate the effects of catastrophic year(s). An insured may elect the approved yield adjustment for low actual yields caused by drought, flood or other natural disasters. The COP insurance program limits units to a single enterprise unit by crop or crop type if provided for by the actuarial documents and county. If the insured elects to apply the approved yield adjustment for a crop insured under COP as provided for by ARPA 2000 it will be applicable to a sub unit established by practice. All acreage and production on a practice basis will be summed into a practice sub unit and the approved yield adjustment will be applied as applicable. The practice sub units will then be combined into the enterprise unit for COP insurance.

The balance of this section is applicable to COP as it is to APH.

EXHIBITS

The Exhibits in the COP Underwriting Guide have been adapted to COP as applicable from the CIH. Only exhibits applicable to COP have been included in the exhibit section of the COP Underwriting Guide.

EXHIBIT 9. COMBINING UNITS

This exhibit can be found in Appendix E. It addresses establishment of the databases for carryover insureds with valid yield history on file when basic and/or optional units are combined into enterprise units for COP insurance.

COP is on an enterprise unit basis or whole-farm unit basis where provided for in SPOI.

A new COP insured may have reported production and acreage on a basic, optional and/or practice basis that correspond to existing APH rules and regulations for the crop.

- These reports will be combined to form an enterprise unit for COP purposes.
- An insured is able to switch to an insurance plan that requires production reports on other than an enterprise unit basis where insurance is available on the same crop under another insurance plan.

When requested by an insured, agents/representatives should maintain production reports that facilitate accurate and acceptable reporting of production and acreage on other than an enterprise unit basis.

NOTE:

Exhibit 15 of the 2002 CIH (June 2001) details the procedures to be used when combining and dividing units for APH based plans of insurance.

- These procedures should be followed when a COP insured changes to an APH based insurance plan.
- Regardless of how units are combined or divided for other plans of insurance, for COP all acreage of the insured crop in the insurable county will be a single enterprise unit and no division of the enterprise unit will be allowed under the pilot COP program.
- This exhibit addresses establishment of the databases for carryover insureds with valid yield history (databases containing actual and/or assigned yields) on file when basic or optional units are combined into enterprise units for COP. Valid yield history on file includes ANY MPCI Insurance Provider's databases.
- This procedure is effective for carryover insureds for Category B and C COP crops. It applies by unit and by P/T/V requiring separate yields within a unit. Separate databases are also required for each "T" Yield Map Area except for Category C crops when weighted average yields are calculated for a unit that contains more than one "T" Yield Map Area. Yield limitation provisions do not

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apply when units are combined. Agents/representatives may combine the previous yield history, but the verifier must issue the approved yield.

The balance of this exhibit is identical to the information contained in the RMA CIH.

SUMMARY

In summary, we have reviewed the specific portions of the Underwriting Guide that pertains to the COP insurance program. You understand that while the Underwriting Guide is a stand-alone document, applying to COP in its entirety, certain sections of it apply specifically to COP insurance. All sections of the Underwriting Guide are applicable to COP insurance, however, the majority of the Guide is the same, or substantially the same as the CIH as it applies to the MPCI program. When working with the COP Insurance program the COP Underwriting Guide is the source document for issues pertaining to COP insurance.

QUESTIONS

1) Where in the Underwriting Guide will you find information about combining units?
    a. Section 4
    b. Section 6
    c. Section 8 and Exhibit 9
    d. Section 4 and 6

2) Where in the Underwriting Guide will you find information about the insurability of a crop?
    a. Section 4
    b. Section 13
    c. Section 6
    d. Section 2

3) Where in the Underwriting Guide will you find information about available coverage levels and premium subsidies?
    a. Section 6
    b. Section 4.C.5
    c. Section 5.C
    d. Section 2

CHAPTER 5

COP UNDERWRITING GUIDE FOR UPLAND COTTON

INTRODUCTION

The COP Upland Cotton Underwriting Guide has been developed to provide a source of crop specific information that is contained in the RMA CIH for the insured crop and to provide as Exhibit 1 the 2004 Crop Policy information. Except for Exhibit 1, the information contained in the COP Upland Cotton Underwriting Guide comes from the RMA CIH, Section 6. Category B Crop Procedures and contains procedure dealing with how to handle Skip Row Cotton.

LEARNING OBJECTIVES

After completing this section you should be able to:

- Convert skip-row cotton production to solid plant.
- Determine skip-row cotton yield factors.
- Assist the insured in properly completing the production and yield report by applying the skip-row conversion procedures such that the acres entered on the report conform to the actual acres of planted cotton when the cotton has been planted in a skip-row planting pattern.

LESSON

6. CATEGORY B CROP PROCEDURES

F.2. CONVERTING SKIP-ROW COTTON PRODUCTION TO SOLID PLANT

This section provides a step-by-step methodology to convert skip-row cotton production to solid plant production for appropriate entry on the Production and Yield report.

Col. 1 - Total Production
Col. 2 - Yield Factor [Refer to Exhibit 2 of this Guide.]
Col. 3 - Total Production (factored, Col. 1 ÷ Col. 2): enter in Col. 16 of the Production and Yield Report.
Col. 4 - Gross Acres X percent-planted factor. [Refer to Exhibit 2 of this Guide.]

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Col. 5 - Acres: enter Col. 17 of the Production and Yield Report.
Col. 6 - Yield (solid planted): enter Col. 18 of the Production and Yield Report.

F3. DETERMINING SKIP-ROW COTTON YIELD FACTORS.

[Refer to Exhibit 2] Used when production is commingled between more than one non-irrigated, skip-row planting pattern:

Col. 1 - Non-Irrigated Skip-Row Pattern
Col. 2 - Planted Acres (acres considered planted to Cotton for each pattern)
Col. 3 - Yield Factor (for each different pattern)
Col. 4 - Yield Extension
Col. 5 - Yield Factor (divide total yield extensions (Col. 4) by total acres (Col. 2))
Col. 6 - Solid Planted Yield (skip-row yield ÷ yield factor)

NOTE: Exhibit 2 is identical to the exhibit contained in the RMA CIH , and can be found in Appendix D.

.J. PRODUCTION REPORTING PROVISIONS BY CROP (COTTON)

This section, in conjunction with Exhibit 2 provides instruction for properly reporting production to obtain an approved yield for Upland Cotton that has been planted in a skip-row planting pattern.

Acceptable Supporting Records.

Gin records and gin bale receipts must show net weight in pounds. Individual bale receipts may be used to support determinations for grade, staple length, and micronaire reading.

Separate production reports (yields)

Required to establish or update an approved yield for Cotton.

Instructions for non-irrigated, skip-row Cotton.

In order to provide a yield that may be used for any skip-row pattern the insured may carry out, skip-row Cotton must be converted to a solid planted basis. [Refer to Exhibit 2 of this Guide for skip-row yield conversion factors, percent-planted factors, computation procedures and worksheet for production history.]

- When completing the Production and Yield Report, the acres entered in the acres column (Col. 17, FCI-19A) must be the acres considered planted (to Cotton) by FSA. If the insured reported gross skip-row acres, multiply the acres reported by the appropriate percent-planted factor (for the skip-row pattern carried out), round to the nearest tenth acre, and enter the result in the acres column.
- Acreage planted in different skip-row patterns requires use of the correct skip-row factor(s) for the year(s) in which the different patterns were carried out.

- Acreage planted in more than one skip-row pattern requires use of an additional step to arrive at a solid planted yield. [Refer to Exhibit 2 Example 5, Step 2 in Appendix D]
- When a Non-Irrigated skip-row planting pattern is reported, the solid planted yield in the approved APH Yield block (Item 21) of the FCI-19A Production and Yield Report must be multiplied by the appropriate skip-row yield conversion factor (for the skip-row pattern carried out) to determine the approved yield for skip-row acreage. The approved yield is then applied to the rate table to determine the rate.
    - Agents are to transfer the factored skip-row yield calculation to the approved yield column (item 10 FCI-19) of the acreage report.
    - The EGI for Non-Irrigated skip-row Cotton is calculated by multiplying the approved yield (item 10 FCI-19) of the acreage report by the percentage for the level elected (for COP Insurance, 65% to 85% in 5% increments).
    - When an approved yield has been established for a farm which includes other operators' production history, insureds may request that only their own production history be used. The RMA RO/Insurance Provider may approve such requests.

EXHIBIT 1. 2004 CROP POLICY INFORMATION

Specific dates by state and county for Sales Closing, Initial Planting, Final Planting, Acreage Reporting and Premium Billing are provided in Exhibit 1. This Exhibit will be referenced when notifying the insured of the important dates to remember such that the insured is able to comply with the dates by which certain required policy provision dates are adhered to. Failure to adhere to these dates could jeopardize the coverage provided by the policy. For the able of specific dates, please see Appendix C.

SUMMARY

In summary, we have reviewed the upland cotton crop specific information to enable policy servicing by the company representative. This information is critical to providing correct and proper service when preparing the Production and Yield report for Skip-row planted Upland Cotton and informing the insured of important contract dates.

QUESTIONS

1) What is the final planting date for Cameron Count Texas Upland Cotton?
    a. 5/31/2004
    b. 3/31/2004
    c. 2/15/2004
    d. 5/15/2004

2) What is the yield factor for Concho County Texas cotton planted in a “2 planted (30” – 35” x 2 skipped (36” – 62”) planting pattern?
    a. 1.60
    b. 1.06
    c. 1.42
    d. 1.70

3) What is the percent acres considered planted to upland cotton by FSA when the cropping definition is 2 planted 2 skipped in 30 to 40 inch rows?
    a. 60%
    b. 80%
    c. 50%
    d. 66.67%

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CHAPTER 6.
COP COVERED EXPENSES WORKSHEET

Introduction

In this section, we will present information describing the format, use and completion requirements for the COP Covered Expenses Worksheet (CEW). The worksheet itself can be found in Appendix F.

Properly completing the CEW is critical to establishing the coverage applicable to the crop insured under COP. The insured will certify as to the accuracy and amount of expenses they intend to expend to produce the crop insured under the COP insurance program. The agent/representative will certify that the expenses presented by the insured are allowable and compare the total allowable expenses to the Expected Gross Income and certify as approved expenses for insurance the lesser amount.

Learning Objectives

After completion of this section you should be able to:

- Assist the insured in completing the CEW.
- Allocate the expenses by practice such that the expenses are appropriately weighted by practice.
- Compare the allowable expenses with the EGI and approve for insurance the appropriate approved expenses.
- Explain the enterprise unit structure.

Lesson

COP COVERED EXPENSES WORKSHEET

The CEW establishes the coverage for the COP insurance program. It is the responsibility of the insured to accurately certify the amount of allowable expenses, by category, they intend to expend to produce the insured crop. Because the CEW is critical to establishing coverage it is important that the assistance you provide is based on a thorough knowledge of how the CEW is prepared, the allowable expense categories, the limits on the amounts in each category and how the covered expenses are calculated and

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limited. The agent will certify as to the determination of the approved and covered expenses.

Exhibit 20 of the COP Underwriting Guide is a step-by-step guide to filling out the CEW. It is important that the insured understand that accurately estimating each amount of expense will assure that the appropriate amount of insurance will be conveyed under the policy and both over insurance and under insurance will be avoided. The insured should also understand that in the event an audit is performed or a claim is spot-checked the insured may be required to document the actual expense expended in each category in the Variable Cost Expenses section. In the event of a claim for indemnity, the insured will be asked to document the actual amount expended for each category in the Variable Cost Expenses section.

The CEW is a two-sided document. Side one is a list of the Variable Cost Expense, Fixed Cost Expense and Land Fee Expense categories and has space for four entries. All entries are on a per acre basis. Following the directions given in Exhibit 20, the insured should be able to accurately complete the form. The back of the form allows for allocating expenses reported on a practice or farm basis to the enterprise unit basis for insurance coverage.

In the event a crop is operated on a share basis, the insured should only enter their share of the expenses they will expend for that category. For example, if they have no harvest cost they should enter zero (0) in that category. If their share of the fertilizer is 50% and they pay $5 dollars for their share of the fertilizer, they should enter $5.00 dollars. Again, all entries are on a per-acre basis.

Fill out an example of the form using supplied information for the category entries. The example should contain two farms or practices so that the back of the form is utilized to allocate expenses to the total enterprise unit.

Summary

The importance of accurately completing the CEW cannot be over emphasized.

Questions

1) On what line on the CEW is the approved yield for a practice or farm (unit) entered?
    a. Line 12
    b. Line 18
    c. Line 16
    d. Line 23

2) In what block is the Coverage Level entered?
    a. Block 6

b. Block 26
c. Block 25
d. Block 29

3) On the back of the CEW, Acres by practice/farm is _________ by total acres in the unit times the allowable expenses (from front) to equal the Weighted Allowable Expenses for that practice/farm.
    a. Multiplied
    b. Divided
    c. Added
    d. Inserted

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CHAPTER 7

COP SUMMARY OF CHANGES TO THE LAM

INTRODUCTION

Chapter 7 outlines those areas of COP loss adjustment that differ from the rules contained in the FCIC 25010 Loss Adjustment Manual (LAM). The LAM in general, applies to the COP Insurance Pilot Program. A document titled "COP Summary of Changes to the LAM" has been created to assist the adjuster with COP Insurance claims and appraisals. This document does not replace the LAM, but rather should be used as a supplement to the LAM.

In a claim situation for COP, an adjuster would need to refer to both the LAM and the COP Summary of Changes to the LAM. Issues detailed in the COP Summary of Changes to the LAM take precedence over the same issues in the LAM. If not detailed in the COP Summary of Changes to the LAM, the adjuster should follow the procedure outlined in the LAM.

To further clarify, an example of which documents an adjuster would need for the two programs is included below:

MPCI Cotton Claim:

Adjuster needs LAM (25010) and the applicable MPCI Cotton Loss Adjustment Standards Handbook.

COP Cotton Claim:

Adjuster needs LAM (25010), COP Summary of Changes to the LAM, and COP Cotton Loss Adjustment Standards Handbook (LASH).

Because the LAM contains greater than 300 pages, most of which the audience is already familiar with, the following chapter will concentrate on those sections of the LAM in which significant modifications, additions or deletions have been made, concerning COP Insurance. Paragraphs of the LAM not specifically discussed in this chapter are applicable to COP, without exception. Procedures specific to cotton loss adjustment will be discussed in Chapter 9.

LEARNING OBJECTIVES

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In this chapter you will:

- Learn the areas of loss adjustment that differ for COP claims from MPCI claims.
- Be taught the additional adjuster responsibilities related to COP insurance.
- Be taught the additional insured responsibilities related to COP insurance.
- Review situations involving the High Risk Land Exclusion Option
- Review situations involving Hail/Fire Indemnities.
- Review the COP unit structure
- Learn how quality and other adjustment factors apply to COP insurance.
- Review rules for late-planted acreage.
- Learn which exhibits of the LAM are applicable to COP insurance.

LESSON

2. GENERAL TERMINOLOGY, CAT COVERAGE, AND ABBREVIATIONS

NOTE: REFER TO PARAGRAPHS 2 AND 4 OF THE LAM.

TERMINOLOGY

There exist several terms, references, and/or terminology unique to the COP Insurance Program. These terms, etc. may be comparable to terms used for the MPCI Program. Rather than identifying each place in the LAM where such terms can be found, a blanket statement is made in the COP Summary of Changes to the LAM, which tells the adjuster to replace the MPCI term with the COP term.

MPCI Term		COP Term
Price election/Production guarantee	REPLACE WITH	Covered expenses
CIH		COP Insurance Pilot Program Underwriting Guide
Replant payment		Increase in covered expenses due to replanting

CATASTROPHIC RISK PROTECTION (CAT) COVERAGE

As previously discussed, CAT Coverage is not applicable under COP Insurance. The coverage levels offered under COP Insurance range from 65% - 85%. Any references to

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CAT coverage in the LAM should be disregarded when working a COP claim. Therefore, COP should be added to the list of items/provisions or plans of insurance not applicable to CAT coverage in section 2C of the LAM.

Abbreviations

The following abbreviations were added to section 4 of the LAM for COP Insurance:

COP	Cost of Production
LDP	Loan Deficiency Payment

3. Loss Adjustment Responsibilities

NOTE: Refer to Paragraph 8 of the LAM.

In addition to the responsibilities outlined in the LAM, when working a COP claim, adjusters will also be responsible for:

Verifying Claimed Fertilizer Expenses

If the loss adjuster suspects that the producer's claimed fertilizer expenses do not correspond with the condition of the crop, the insurance provider may obtain a soil sample to verify that the level of fertility represents the claimed fertilizer expense. If a sample is obtained, the insurance provider shall:

1) Utilize sampling procedures recommended by the local NRCS office, university extension or other recognized methodology for accurately sampling soil for analysis purposes;
2) Send such samples to a commercial testing facility for fertility analysis and confirmation of claimed fertilizer application rates;
3) Hold the claim open until results of the testing process is completed and the results are provided; and
4) Discuss with the insured the results of the soil test and complete processing of the claim, either accepting the claimed fertilizer expenses or rejecting all or a portion of the claimed expense depending on the result of the soil test.

Establish Price per Unit

If the price for sold or contracted production is not representative of the local market price for the crop, the adjuster should take a sample of the crop to buyers in the area to establish a representative price.

Because of the important role price per unit plays in determination of indemnity, this procedure is meant to minimize the fraud and abuse that may arise from a situation where a producer sells his crop to an individual at a reduced price, creating a loss situation.

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Example:

Assume the local market price for cotton in Franklin County, LA is $0.48. If Joe Farmer had settlement sheets (dated October 15) showing a price per pound of $0.40, the adjuster would be responsible for taking a sample of the producer's crop to buyers in the area to determine the price offered for like production on October 15. This quoted price would replace the price on the producer's settlement sheet in determining total value of production.

Determine the Total Value of Production

It is the adjuster's responsibility to determine the total value of production, as described in the "Settlement of Claim" section (Chapter 2). Total Value of Production will include all appraised production (as determined by the adjuster), all harvested production (as reported on settlement or summary sheets), and other allowable income. The total value of production is reported on the TPC Worksheet similar to the way that Production to Count is reported for MPCI policies. The TPC Worksheet and corresponding instructions for COP Insurance will be discussed in Chapter 9.

Review the Covered Expense Worksheet (CEW)

At the time of application, producers will be instructed that in the event of a claim, they must list their actual expenses for each variable expense category on their copy of the covered expenses worksheet prior to the adjusters farm visit. The adjuster will then review these expenses and verify that the variable expenses shown on the worksheet were actually expended to produce the crop insured. If the actual expenses for any variable expense category are less than those reported at the time of application, or the insured admits that all or a portion of a claimed expense was not expended, the unexpended expenses will be documented on the claim form. The producer's covered expenses will be reduced by this amount.

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Example: Reduction in Covered Expenses

The producer filled out the following CEW for irrigated cotton at the beginning of the crop year. Due to excess moisture he is unable to harvest. Prior to the adjuster's visit, the producer strikes through the original amount and lists the actual expenses. In this situation, the adjuster would record the $85 of unexpended expenses on the TPC Worksheet. Therefore, for determining an indemnity, the producer's total covered expenses would be $214 instead of $299.

Variable Expense	Amount
Seed or Plants	$22
Fertilizer	$45
Chemicals	$80
Fuel, Lube, and Utilities	~~$35~~ $20
Repairs and Maintenance	$20
Hired Labor	$0
Other Labor	~~$20~~ $15
Custom Operations	$0
Harvesting	$0
Irrigation	In utilities and fixed
Operating Loan Interest	$12
Other Variable Costs	$0
Post-Harvest Expenses	~~$65~~ $0
Total	~~**$299**~~ $214

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4. Insured's Responsibilities

NOTE: Refer to Paragraph 8 of the LAM.

Provide Documentation of Allowable Income Received

When the insured gives notice of loss, it is his/her responsibility to provide the adjuster with verifiable records from all sources of allowable income. These records may include, but are not limited to:

1) Receipts from commodity sales (settlement sheets, summary sheets, etc)

The record should clearly show PRICE RECEIVED PER POUND and TOTAL PRODUCTION. These records may be from, but not limited to:

- Commercial Elevators
- Seed Companies
- Packing Houses
- Marketing Cooperatives
- Mills
- Warehouses
- Gins
- Processors

3) Verifiable records

Verifiable records may include a PRINTOUT or RECEIPT from each first handler of the crop for the respective crop year. Acceptable documentation includes, but is not limited to:

- Warehouse receipts
- Pick Records
- Summary or Settlement sheets
- Sales Receipts
- Final or year-end statements from a processor or packing house
- Pool Statements

3) Applicable USDA payments

Records pertaining to government records may also be requested at the time of claim. Acceptable documentation of government payments include, but are not limited to, RECEIPTS, LETTERS, and/or STATEMENTS showing payments made to or applied for by the producer. Such payments include LDPs and other USDA payments that may apply to the crop. For marketing Assistance Loans, the COP available on the date of loss is included as allowable income.

4) Verifiable commodity inventory

In addition to documentation for production sold, records pertaining to other allowable sources of income detailed in the crop or special provisions, including the value of appraised production and production not sold at the time of claim, may be requested.

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5) Named-Peril Crop Insurance

In addition to documentation for production sold, records pertaining to indemnities claimed from named peril crop insurance (such as Hail Insurance) may be requested at the time of claim.

List the Actual Expenses on Insured's Copy of CEW Prior to Adjuster's Visit

In the event of a claim, the insured must list the actual expenses on his/her copy of the CEW prior to the adjuster's farm visit.

Provide Documentation of Variable Expenses

It is the insured's responsibility to maintain a formal written record system of all variable expenses associated with producing the crop for the respective crop year. The insured must be able to produce such records for purpose of audit or "spot check." Such documentation can include, but is not limited to:

1) Purchase receipts for, but not limited to, the following expenses

   - Seed or plants;
   - Fertilizer;
   - Chemicals;
   - Fuel, Repairs and Maintenance, Utilities;
   - Irrigation (Water Charge);
   - Labor (including harvest labor, hired labor and other non-owner labor); and
   - Expenses associated with post-harvest operations including, but not limited to, ginning, processing, packing and selling, and marketing assessments.

2) Secondary Records

   If the insurance provider has reason to believe that the primary record does not provide accurate documentation of expenses, the insured may be asked to provide secondary supporting records to verify that the correct amount was reported. Secondary documentation includes:

   - Accounting records;
   - Farm management records;
   - Payroll receipts;
   - Cancelled checks showing the bank institution's stamp.

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5. High Risk Land Exclusion Option and Hail/Fire Indemnities

Note: Refer to Paragraphs 11, 20, 22, and 114 of the LAM

High Risk Land Exclusion Option

COP Insurance only allows for enterprise units. Therefore, the High Risk Land Exclusion Option is NOT AVAILABLE under COP Insurance. Any references to the High Risk Land Exclusion Option found in the LAM are not applicable when working a COP Insurance claim.

Hail and Fire Indemnities

Under COP Insurance, regardless of whether the insured elects to exclude Hail and Fire from the insured causes of loss, the amount of any hail or fire indemnity will be included as allowable income.

Situation 1: Hail/Fire Exclusion in Effect

A producer purchases COP Insurance and opts to exclude Hail and Fire as a covered cause of loss by completing the FCI-78. The producer purchases a hail policy from a private company. Damage to the crop results from hail and the insured files a notice of loss. The adjuster will include as "other allowable income" the amount of the private insurance indemnity.

Situation 2: Hail/Fire Exclusion NOT in Effect

A producer purchases COP Insurance and does NOT exclude Hail and Fire as a covered cause of loss. The producer purchases a hail policy from a private company. Damage to the crop results from hail and the insured files a notice of loss. The adjuster will include as "other allowable income" the amount of the private insurance indemnity.

Based on the information above, when working a COP Insurance claim, Paragraphs 22 B and 114 C should be replaced with the following language:

22 B (pages 31-33)
Counting Any Hail and Fire Indemnity as "Other Allowable Income"

(1) If damage results from hail or fire and a hail and fire exclusion is in effect, the adjuster will record on the claim form as "other allowable income" the amount of the hail or fire indemnity.

(2) If damage results from hail or fire and hail or fire was not excluded from the COP Insurance policy, the adjuster will record on the claim form as "other allowable income" the amount of the hail or fire indemnity.

114 C

Other Fire Insurance but Hail and Fire Excluded
If there is other fire insurance and hail and fire coverage has been excluded from the COP Insurance policy, record on the claim form as "Other Allowable Income" the amount of the fire indemnity.

Paragraph 114 subsections D and E do not apply to COP Insurance.

6. Unit Verification and Unit Structure

NOTE: Refer to Paragraphs 44 and 45 of the LAM

When working a COP claim, the following Paragraphs 44 and 45 apply:

44 Unit Verification

As previously discussed, all acreage of the insured crop, wherever grown in the United States and COP Insurance is available, must be insured under COP. All acreage of the insured crop in the county will be insured as a single enterprise unit.

It is the insurance provider's responsibility to:

- Understand the unit structure utilized by the COP Insurance Program; and
- Verify the shares/shareholders as reported by the insured.

If the adjuster suspects or questions whether there is an interest or that there are separate insurable interests (such as spouse, children or other household members) he/she is responsible for contacting the insurance provider.

Unit reporting errors will be corrected at loss time or upon discovery. Revising a Whole Farm Unit Structure to an Enterprise Unit Structure or vise-versa will not be permitted during the crop year.

45 Unit Structure

COP unit structure has already been defined in several sections of this Training Package. The definition used in the COP Summary of Changes to the LAM is identical to the definition contained in the COP Basic Provisions.

7. Self Certification Replant, Replant, and Unreported Acreage

NOTE: Refer to Paragraphs 54, 55, and 65 of the LAM

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Self Certification Replant

Paragraphs 54 A (1) and 54 C of the LAM provide procedures related to self-certification replant, which is not available during the pilot phase of COP Insurance. Therefore, when working a COP Insurance claim, Paragraph 54 A (1) and 54 C of the LAM do not apply.

Replant

As discussed elsewhere in this Training Package, replant is applicable to cotton insured under the COP Insurance program. In general, Paragraph 55 of the LAM, which discusses replant, applies to COP Insurance. However, in qualifying replant situations, rather than a “replant payment,” crops insured under COP Insurance are eligible for “an increase in covered expenses due to replant.” The amount of this increase is equal to an amount that is specified in the Special Provisions. In a replant situation, the insurance provider will issue a revised summary of coverage to show the increased liability.

Paragraph 55 G (3) states that “in all replant claims, the actual cost of replanting must be considered when making the replant claim.” Therefore, Paragraph 55 G (3) of the LAM is not applicable.

8. Adjustments to Production (Value of Production)

Paragraph 84 of the LAM provides general information regarding adjustments to production. The information provided in this paragraph includes:

- Reasons why production may be adjusted;
- Who makes adjustment determinations; and
- How to handle production disposed of before determinations are made.

These issues are also applicable to COP, but are handled differently. For example, under COP Insurance production itself is not adjusted due to moisture, foreign material, or low quality. Rather, the value of production may be reduced based on quality. This reduction will be evident in the price received for the crop.

In addition, under COP Insurance it is not necessary for the adjuster to obtain percentages of moisture, foreign material or test weights from load slips or settlement sheets. The adjuster is also not required to make actual determinations for moisture, foreign material percentages and test weights.

Under COP Insurance, the adjuster is responsible for obtaining the value of production from the settlement sheets. For unsold production, the adjuster is responsible for obtaining samples of mature harvested and unharvested production, and determining the price buyers will pay for such production, which is used in determining value of production.

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The general procedures for production disposed of before determinations are made are applicable to COP. However, some language has been modified to reflect the differences between production and value of production.

The following Paragraph 84 should be used when working a COP Insurance claim:

A. Reasons Why the Value of Production May Be Adjusted

Adjustments to the value of appraised or harvested production may be considered based on the value offered or received for such production by buyers of the crop. Adjustments are made only when they meet the requirements stated in the basic or crop provisions or the special provisions of COP Insurance for the crop. These adjustments must reflect causes of loss insured against and must be verified by the insurance provider when finalizing a claim for indemnity under the COP Insurance program.

B. Who Makes Adjustment Determinations

The adjuster will obtain the value of production sold from settlement sheets or other documents, which specify the amount of production and the price paid for such production. The adjuster will obtain samples of mature unharvested, and harvested, unsold production of the crop and determine the price buyers will pay for such production as the value of such production.

Samples cannot be obtained by the insured or the insured's representative. Samples must be obtained by an adjuster or a disinterested third party.

C . Production Disposed of Before Determinations Are Made

- When the insured's interest is 100 percent in the crop:

  Adjustments to the value of production cannot be made if the production has been disposed of before necessary determinations can be made and the disposition has made it impossible for the adjuster to determine the actual value of the production to the insurance provider's satisfaction.

- When the insured's interest is less than 100 percent in the crop:

  Adjustments to the value of production can be made if the production of the other person(s) sharing in the crop is available to make the determinations. **This is applicable only when the other production is representative of the insured's share.**

9. QUALITY ADJUSTMENT

Paragraph 85 of the LAM addresses Quality Adjustment. Quality adjustment, in the traditional sense, does not apply to COP Insurance. Therefore, some of the subsections

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of Paragraph 85 have been modified or replaced with language specific to COP Insurance.

Paragraph 85 A has been replaced with the following language for COP Insurance:

The basic or crop provisions (and in some cases the special provisions) of COP Insurance covers the insured crop for loss of value due to insured causes occurring within the insurance period reflecting the quality of the crop based on the price received or offered for the crop by buyers of such production.

Paragraph 85 B and C provide information about who can obtain samples for grading/analyzing and sample requirements for adjuster obtained samples. Both paragraphs **apply as is** to COP Insurance.

Paragraph 85 D, E, F, and G deal specifically with quality adjustment and therefore, **do not apply** to COP Insurance.

Paragraph 85 H applies to COP Insurance with the following exceptions:

1) For purposes of determining the value of crops insured under the COP Insurance program, the name of this section will be: "Crops that use the Actual Value Received or Offered to Determine the Value of Production for the COP Insurance Program."
2) When adjusting a COP claim, the last sentence in (1) does not apply. *(The last sentence of (1) discusses moisture and refers the adjuster to (4), which also does not apply.)*
3) (2)(b) and (2)(c) are not applicable to COP Insurance. *(Items (2)(b) and (2)(c) discuss drying charges, and moisture discounts, which are not applicable to COP Insurance.)*
4) A Quality Adjustment Factor (QAF) is not determined when adjusting a claim for the COP Insurance program. Where calculations of a QAF are mentioned in (3) they may be disregarded.
5) When adjusting a COP claim, (4) does not apply. *(Item 4 discusses with drying charges and moisture discounts for grain crops, which do not apply to COP Insurance.)*

10. Adjustments for Moisture, Foreign Material, and Test Weight

Paragraphs 86 through 90 of the LAM discuss adjustments for moisture, foreign material and test weight. As previously discussed, COP Insurance does not utilize any of these in determining production or quality. Therefore, when working a COP Insurance claim, Paragraphs 86-90 of the LAM do not apply.

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Paragraph 91 discusses procedures for handling mycotoxins in grain crops. In general, the section applies to COP Insurance. However, Example 2 of subsection N discusses the settlement of claim for vomitoxin (DON). Under COP Insurance, vomitoxins will be handled as a reduction in value and Example 2 should be disregarded.

11. Rounding Rules, Unusual Storage Configurations, Unreported Units, and Chemical Carryover

Rounding Rules

In general, the rounding rules used for MPCI apply to COP Insurance. The exceptions are shown below:

- The parenthetical statement found in 96 C "Monetary Entries" is not applicable. A "$" SHOULD be used, where appropriate, on the claim form.
- The following statement should be added to 96 C "Monetary Entries:"

  Total Values should be rounded to whole dollars.
- References to rounding of quality adjustment factors are not applicable to the COP Insurance program. Therefore, rounding rules for Moisture percentage, Foreign Material (FM) percentage, test weight, and Percent of Pick do not apply.

Unusual Storage Configurations

In general, the measurements and computations used to determine farm-stored production apply to COP Insurance. However, Paragraph 102 (A) (5) and (6) discuss adjustments to this production using test weight and moisture, etc. Therefore, these two subsections do not apply to COP Insurance.

In addition, Paragraph 102 E provides two examples for determining "Production Not to Count in a Storage Structure." Example 2 is the appropriate method to determine such production for COP Insurance. Adjusters should disregard Example 1.

Unreported Units

Paragraph 116 of the LAM provides procedures for handling unreported units. Because COP Insurance does not allow optional or separate units, unreported units are not applicable. However, underreported acres will be handled in accordance with the policy provisions..

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Chemical Carryover

Under COP Insurance, chemical carryover due to adverse weather is handled by including any payment or replacement product values as "other allowable income." Therefore, when working a COP Insurance claim, the following Paragraph 124 A applies:

Calculation. Include as "other allowable income" any payment or replacement product values:

- Provided to the insured;
- Pending;
- Offered to the insured (even if such offer has been rejected by the insured); and/or
- For which the insured might be eligible if a claim to the chemical company or supplier had been filed.

12. Late Planting

As previously discussed in the Basic Provisions section of this Training Package, late planting under COP Insurance is handled similarly to MPCI, with some exceptions. When working a COP Insurance claim, the following procedure, which follows the language in Section 17 of the COP Basic Provisions, applies in place of Paragraph 126 of the LAM.

A. General Information

1) The covered expenses for each acre planted to the insured crop during the late planting period will be reduced by 1 percent per day for each day planted after the final planting date.
2) Acreage planted after the late planting period (or after the final planting date for crops that do not have a late planting period) may be insured as follows:
    a) The covered expenses for each acre planted as specified in this subsection will be determined by multiplying such covered expenses that are provided for acreage of the insured crop that is timely planted by 50%;
    b) Planting on such acreage must have been prevented by the final planting date (or during the late planting period, if applicable) by an insurable cause occurring within the insurance period for prevented planting coverage; and
    c) All production from acreage as specified in this section will be included as the value of production to count for the unit.
3) The premium amount for insurable acreage specified in this section will be the same as that for timely planted acreage. If the amount of premium the insured is required to pay (gross premium less the FCIC subsidy) for such acreage exceeds the liability, coverage for those acres will not be provided (no premium will be due and no indemnity will be paid).

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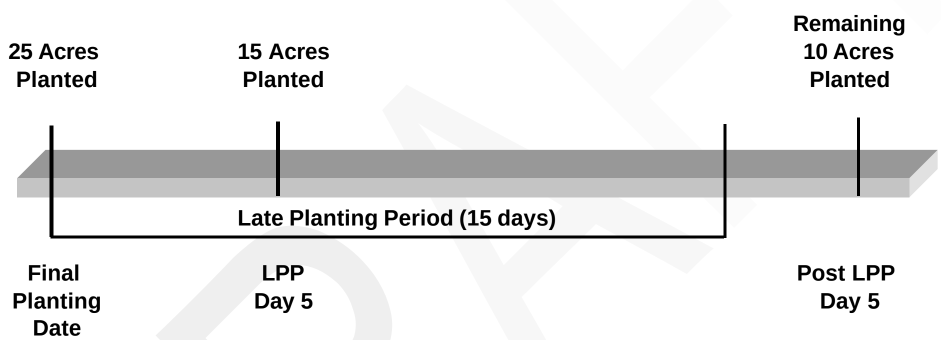
4) Any acreage on which an insured cause of loss is a material factor in preventing completion of planting, as specified in the definition of "planted acreage" (e.g. seed is broadcast on the soil surface but cannot be incorporated) will be considered as acreage planted after the final planting date and the covered expenses for determining premium will be calculated in accordance with A(2)(a) above.

Example: Late Planting

A producer owns 100 acres of cotton. He is able to plant 25 acres before the final planting date. His covered expenses for such acreage are $400. He is able to plant 15 acres 5 days after the final planting date, and the remaining 10 acres are planted 20 days after the final planting date (ie; 5 days after the late planting period). Under this situation, the insured's total covered expenses (with reduction for late planting) would be calculated as follows:



CE for acreage planted prior to final planting date: $400 x 25 acres = $10,000
CE for acreage planted **DURING** LPP: [$400 - ($400 x 5%)] X 15 acres = $5,700
CE for acreage planted **AFTER** LPP: $400 x 50% x 10 acres = $2,000

Total Covered Expenses = $17,700

As illustrated above, the producer's original liability of 400 x 100 acres = $40,000 has been reduced to $17,700 due to late planting.

13. EXHIBITS

In general, the exhibits found in the LAM apply to COP Insurance, with the following exceptions:

EXHIBIT 1

Exhibit 1 of the LAM contains definitions of terminology used in the LAM. Exhibit 1 of the LAM applies to COP Insurance with the following condition:

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Terms applicable to COP Insurance that are not defined in the LAM are defined in the COP Basic Provisions. For terms that are used in both the LAM and the COP Insurance Basic Provision, the definition in the provisions takes precedence.

EXHIBIT 2

Exhibit 2 of the LAM provides crop policy information for all plans of insurance utilizing the LAM.

EXHIBIT 6

Exhibit 6 of the LAM provides Hail/Fire Exclusion appraisal factors. Because of the unique way in which Hail/Fire Exclusion is handled under COP Insurance, Exhibit 6 is not applicable.

EXHIBIT 10

Exhibit 10 of the LAM provides a claim checklist for the adjuster for follow. The following two items should be added to the checklist for adjusters working a COP Insurance claim:

(1) Variable Expenses Appear Reasonable
(2) Allowable Income Verified

EXHIBIT 12

Exhibit 12 of the LAM provides completion instructions for the self-certification replant worksheet. As discussed, self-certification replant is not available for COP insured's. Therefore, Exhibit 12 does not apply.

EXHIBIT 16

Exhibit 16 of the LAM provides sample continuation sheets for the Production Worksheet and the TPC Worksheet. Under COP Insurance, only the TPC Worksheet is utilized. Therefore, when working a COP Insurance claim, the Production Worksheet sample should be disregarded.

SUMMARY

In conclusion, the LAM in general applies to COP Insurance. However, there are certain aspects of COP loss adjustment that differ. An outline of these differences has been compiled into a document titled the "COP Summary of Changes to the LAM." When a conflict between the LAM and the COP Summary of Changes to the LAM exists, the COP Summary of Changes to the LAM takes precedence. These include, but are not limited to, situations involving high-risk land, hail/fire indemnities, self-certification replant, quality adjustment, and late planting. Also, additional responsibilities have been added for both the adjusters and the insured.

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QUESTIONS

1) If the loss adjuster suspects that the producer's claimed fertilizer expenses do not correspond with the condition of the crop, the adjuster….
   a. Can obtain a soil sample to test for fertility
   b. Can ask the insured to provide fertilizer receipts
   c. The adjuster is not authorized to do anything
   d. Can compare the soil with neighboring fields

2) In the event of a claim and prior to the adjuster's field visit, the insured is responsible for listing the actual expenses in each variable expense category of his/her copy of the Covered Expenses Worksheet
   a. True
   b. False

3) Which of the following is NOT considered a "secondary record?"
   a. Accounting records;
   b. Farm management records;
   c. Payroll receipts;
   d. Purchase receipts

4) If the insured has a loss and hail is the cause of loss, the indemnity received from a private hail policy will be included as allowable income for their COP policy:
   a. True
   b. False

5) When working a COP Insurance claim, the adjuster must make adjustments for:
   a. Moisture
   b. Test Weight
   c. Foreign Material
   d. None of the Above

6) The covered expenses will be reduced by ____ per day for each day planted after the final planting date.
   a. 2%
   b. 5%
   c. 1%
   d. No reduction

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CHAPTER 8

SUMMARY OF CHANGES TO THE PREVENTED PLANTING HANDBOOK

INTRODUCTION

Chapter 8 will cover Prevented Planting as it applies to COP Insurance. The FCIC 25370 Prevented Planting (PP) Loss Adjustment Standards Handbook (LASH), in general, applies to the Cost of Production (COP) Insurance program. A document titled "COP Summary of Changes to the Prevented Planting Handbook" has been created to assist the adjuster with COP Insurance prevented planting situations. This document does not replace the PP LASH, but rather should be used as an appendix.

In a prevented planting situation for COP, an adjuster would need to refer to both the PP LASH and the COP Summary of Changes to the Prevented Planting Handbook. Issues detailed in the COP Summary of Changes to the Prevented Planting Handbook take precedence over the same issues in the LAM.

All sections, definitions, and exhibits contained in the PP LASH apply to COP Insurance EXCEPT as specifically identified in this chapter.

LEARNING OBJECTIVES

In this chapter you will:

- Become familiar with the crops eligible for prevented planting under COP Insurance.
- Be taught the rules for COP prevented planting that differ from the rules for MPCI prevented planting.
- Be guided through a COP prevented planting payment example in a situation where there is not an adequate base of eligible acreage.

LESSON

CROPS ELIGIBLE FOR PREVENTED PLANTING COVERAGE

At this time, only AUP cotton is listed as a pilot crop for COP Insurance; therefore, it is the only crop eligible for prevented planting coverage. In the future, when other crops

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are added to the pilot program, crops traditionally eligible for prevented planting under other crop insurance programs will also be eligible under COP.

High Risk Land

Section 4 F (6) of the PP LASH discusses procedure for insured's executing the high-risk land exclusion option. This option is not available under COP Insurance and therefore, the section does not apply.

Adjuster Responsibilities

The following responsibility was added to Section 6 C for adjusters working COP Insurance prevented planting claims:

Verify against the Covered Expenses Worksheet that the expenses claimed have been expended by the date of loss inspection.

Acreage Report

Section 6 F (1) states that separate line entries are required on the acreage report for basic, enterprise, and optional units. Basic and optional units are not available under COP Insurance. Therefore, 6 F (1) should be replaced with the following language when working a COP Insurance claim:

> Enterprise units and within each unit, separate line entries for differing practices, types, varieties, covered expenses, and risk classifications (as appropriate). (For whole farm units, a separate line entry is required for each crop and for each crop with differing practices, types, varieties, covered expenses, and risk classification).

Prevented Planting Codes

Sections 10 A through 10 D provide prevented planting codes for use when working MPCI claims. These codes are not applicable to COP Insurance and should be disregarded when referenced in the PP LASH.

Prevented Planting Payment Calculation

For COP Insurance, the PP payment will be, "that portion of the approved covered expenses per acre which have been expended and/or documented at the time of loss inspection." Therefore, references to PP coverage level percentage, percentage of the production guarantee, or any specified percentage figure are not applicable for the COP Insurance program.

In other words, the producer will be reimbursed for the money he/she has already spent (times the selected coverage level) on the crop at the time of loss inspection.

Therefore, the prevented planting payment calculation provided in Section 10 E should be replaced with the following calculation for COP Insurance:

The COP Insurance PP payment is determined as follows:

that portion of the per acre covered expenses expended or documented
x the number of eligible PP acres in the unit.

Example: Prevented Planting

Joe Farmer is prevented from planting 25 acres of cotton because of excess moisture. He has 100 acres total; therefore, the prevented planting acreage constitutes greater than 20 acres and 20% of the insurable crop acreage in the unit (in accordance with section 18(e) of the COP Basic Provisions). He does not plant the acreage to another crop.

The adjuster would go over the Covered Expenses Worksheet with the producer to determine which expenses have been expended for such acreage at the time of loss inspection. From the worksheet, the adjuster determines that the following expenses have been expended on the prevented planting acreage:

50% of fertilizer	$22.50
30% of chemicals	$24.00
20% of fuel	$7.00
50% repair and maint.	$10.00
100% of Fixed	$91.00
100% of Land	$80.00
Total	**$234.50**

This amount ($234.50) is multiplied by the insured's selected coverage level (85%), and then multiplied by the eligible prevented planting acreage (25 acres).

This amount is paid to the insured as a prevented planting payment and the insured's total liability is reduced by the same amount.

Prevented Planting Payment = $234.50 x 85% x 25 acres = $4,983
Revised Covered Expenses = $400 x 100 = $40,000 - $4,983 = $35,017

Expense	Amount
Seed or Plants	$22
Fertilizer	$45
Chemicals	$80
Fuel, Lube, and Utilities	$35
Repairs and Maintenance	$20
Hired Labor	$0

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Other Labor	$20
Custom Operations	$0
Harvesting	$0
Irrigation	In utilities and fixed
Operating Loan Interest	$12
Other Variable Costs	$0
Post-Harvest Expenses	$65
Total Variable Cost Expenses	**$299**
Capital Replacement	$65
Term Loan Interest	$18
Owner Labor	$0
Other Fixed Costs	$8
Total Fixed Cost Expenses	**$91**
Land Fee Expenses	**$80**
Total Allowable Expenses	**$470**
Total Covered Expenses	**$400**

Multiple Payments

As with other "additional coverage" policies, only **one** PP payment can be made for each acre for the crop year, unless the insured provides records showing that the acreage and crop has a history of double cropping in each of the last four years in which the insured crop was grown on the acreage. Double cropping must be an insurable practice in the county and for the crop.

Prevented from Planting- Not Enough Eligible Acreage for the Crop

If a producer is prevented from planting a crop for which he/she does not have an adequate base of eligible prevented planting acreage, the prevented planting covered expenses, premium, and prevented planting payment will be based on the crops insured for the current crop year, for which he/she has remaining eligible prevented planting acreage. The crops used for this purpose will be those that result in a prevented planting payment most similar to the prevented planting payments that would have been made for the crop that was prevented from being planted. Once other crops are added to the pilot program, the crops used for this purpose will be other COP insured crops.

For example, if Joe Farmer does not have enough cotton acreage for an adequate base and the covered expenses for cotton are $400/acre, he would use the COP insured crop with the most similar covered expenses. If he also grows corn ($350) and soybeans ($300), he would use corn to determine his prevented planting payment, since $350 is closer to $400 than $300 is.

However, while cotton is the only COP insured crop, the prevented planting payment will be based on other insured crops' total liability instead of covered expenses and will include crops insured under other insurance plans (e.g. MPCI). The information below should be used when working a COP Insurance prevented planting claim in place of Section 11E:

EXAMPLE: An insured plants 75 acres of Unit 00100 to cotton and is prevented from planting 25 acres. The adjuster determines that there are 75 MAXIMUM eligible acres for cotton. Since the insured has planted 75 acres of cotton and there are no more eligible cotton acres, the PP payment must be based on another insured crop(s) that will result in the PP payment most similar (closest) to cotton. The cotton Unit 00100 per acre PP amount is $146.25. The insured also has soybeans and fall wheat for the same crop year on the policy.

The per-acre PP liabilities are:

Soybeans	00100	$123.75
Fall Wheat	00100	$40.50

The maximum eligible PP acres for each crop are as follows:

Cotton = 75.0 acres
Soybeans = 47.0 acres
Wheat = 105.4 acres

Eligible acres for each crop after deduction for planted and prevented planting acres for the specific crop:

Cotton = 75.0 eligible PP acres minus 75.0 planted acres = 0 acres
Soybeans = 47.0 eligible acres minus 27.0 planted acres = 20 acres
Fall Wheat = 105.4 eligible acres minus 100.4 planted acres = 5 acres

Unit 00100 soybeans (per-acre PP liability of $123.75) is the closest amount to the cotton PP amount of $146.25. Since there are not enough eligible soybean acres, the next similar (closest payment) must be found on another insured crop. The most similar (closest) payment is on unit 00100 (wheat at $40.50). The insured would be paid a PP payment on the following crop units as follows:

Soybeans unit 00100 = 20 acres X $123.75 = $2475.00
Wheat unit 00100 = 5 acres X $40.50 = $202.50

When making comparisons to determine the crop/unit for which the PP payment would be the most similar (closest) to the crop prevented from planting (qualifying unit) and when making PP payments in this type of situation (for PP acreage for the qualifying unit), the share used will be the share from the crop unit on which the acreage was prevented from planting (qualifying unit).

Acreage reports will also be revised to show PP acreage that will be used to pay the PP acreage for the qualifying unit. The share will be the same as the qualifying unit (in this example unit 00100 cotton).

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When preparing the claim form for the PP payment for each crop unit for which eligible PP acreage was used to pay the PP claim for the qualifying unit acreage, document the crop, unit number, and legal description of the qualifying crop units.

NOTE 1: The most similar (closest) PP payment could be either a higher amount or a lower amount than the qualifying crop's per-acre PP amount would have been. When determining the per-acre PP payment amount most similar (closest) to the qualifying crop's PP payment amount, calculate the per acre PP payment amount as stated in the applicable policy provisions.

SUMMARY

Prevented planting for COP is based on that amount of the producer's covered expenses that have been expended at the time of loss inspection. In other words, the producer is being reimbursed for costs incurred. A document titled the "COP Summary of Changes to the Prevented Planting Handbook" has been created to assist adjusters when working COP prevented planting claims. It should be used as an appendix to the FCIC 25370. At this time, only AUP cotton is eligible for prevented planting under COP Insurance. Until additional crops are added to the pilot program, the crop insured under another insurance plan with the most similar liability will be used for situations where cotton is prevented from planting and there is not enough eligible cotton acreage.

QUESTIONS

1) A prevented planting payment may be made for AUP cotton under COP Insurance.
   a. True
   b. False

2) The prevented planting calculation for COP Insurance is:
   that portion of the per acre covered expenses _____________________X the number of eligible PP acres in the unit.
   a. Listed on the CEW
   b. Reported by the producer
   c. Expended or documented
   d. Entered on the claim form

3) The following crops are eligible for a prevented planting payment under COP Insurance:
   a. AUP Cotton
   b. AUP and ELS Cotton
   c. Cotton and corn
   d. All crops eligible for prevented planting under other insurance programs

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4) If there is not an adequate base of eligible acreage for the insured crop, the payment should be based on the crop with the most similar____________ to the covered expenses of the crop that was prevented from planting.
    a. Covered expenses
    b. Liability
    c. Share
    d. Acreage

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CHAPTER 9
COP COTTON LOSS ADJUSTMENT STANDARDS HANDBOOK

INTRODUCTION

The COP Cotton Loss Adjustment Standards Handbook (LASH) was modeled after the AUP and ELS Cotton Loss Adjustment Standards Handbook (FCIC 25090). Appraisal methods used for MPCI cotton claims also apply to COP claims.

Major differences between the FCIC 25090 and the COP Cotton LASH include:

- All references to ELS cotton have been left out, since only AUP cotton is listed as a COP pilot crop at this time;
- Quality A and B price quotations do not apply; therefore, Exhibits 5 and 6 are not included.

The TPC Worksheet with modified instructions, which are discussed later in this module, should be used for all COP claims.

LEARNING OBJECTIVES

In this chapter you will:

- Review insurability requirements.
- Review the enterprise unit structure for COP.
- Learn how quality is determined for COP.
- Be taught how to complete the TPC Worksheet for a replant situation.
- Be taught how to complete the TPC Worksheet for appraised production.
- Be taught how to complete the TPC Worksheet for harvested production.

LESSON

1. INTRODUCTION

This section has no significant changes from the same section of the FCIC 25090.

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2. Special Instructions

The only significant change to this section is that two abbreviations applicable to COP insurance have been added:

COP Cost of Production
LDP Loan Deficiency Payment

3. Insurability, Unit Structure and Quality

Insurability

As previously discussed in Chapter 1, the insurability requirements have been modified slightly from the FCIC 25090. The major differences are highlighted in red below:

(1) The crop insured will be all the cotton lint **in the United States** for which premium rates are provided by the actuarial documents:

(a) That is not (unless allowed by the Special Provisions):

1 Colored cotton lint (**AUP only**);

2 Planted into an established grass or legume;

3 Interplanted with another spring planted crop;

4 Grown on acreage from which a hay crop, **including a harvested small grain hay crop regardless of the percentage of small grain plants that reached the headed stage,** was harvested in the same calendar year unless the acreage is irrigated; or

5 Grown on acreage on which a small grain crop reached the heading stage in the same calendar year unless the acreage is irrigated or adequate measures are taken to terminate the small grain crop prior to heading and less than fifty percent (50%) of the small grain plants reach the heading stage.

(2) In addition to insurable acreage of the Basic Provisions, the acreage insured will be ONLY the land occupied by the rows of cotton when a skip-row planting pattern is utilized.

Any acreage of the insured crop damaged before the final planting date, to the extent that a majority of producers in the area would not normally further care for the crop, must be replanted unless the insurance provider agrees that replanting it is not practical.

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Unit Division

For crops insured under COP Insurance, the only unit designation is an enterprise unit. An enterprise unit is defined as all insurable acreage of the insured crop in the county in which the insured has a share, on the date coverage begins for the crop year. A more detailed definition is provided in Chapter 1.

Quality Adjustment

The cotton crop insured under COP Insurance is covered for loss of value, which may be due to deficiencies in quality, based on the price per pound paid or offered for such production at the time the crop is sold or the loss is adjusted, whichever is earlier. These deficiencies in quality must be due to an insured cause of loss and occur during the insurance period.

In other words, the adjuster does not perform quality adjustment for COP appraisals; rather, the quality of cotton is reflected in the price received.

4. Replanting Procedures

As detailed in previous chapters, a “replanting payment” is not made for COP insurance. Instead, an increase in covered expenses due to replant is allowed for eligible acres. Refer to Chapter 1 for detailed information regarding eligibility.

In the event that a producer intends to replant, he/she will notify the company and the loss adjuster will make a field visit. Once the adjuster determines whether the insured qualifies for the increased covered expenses, he will fill out and sign the claim form and submit to the company to authorize the increase. A revised summary of coverage will be issued.

In a replant situation, the adjuster will complete the TPC Worksheet as follows:

NOTE: The following instructions have been abbreviated for training purposes. Full instructions accompanied by notes, exceptions and adjuster verification procedures can be found in Section 9 of the COP Cotton LASH.

Items 1 through 15 should be completed as instructed (no change from FCIC 25090).

A. **Field ID** and the date of inspection for the last line entry of each inspection.
B. **Preliminary Acres:** Make no entry.
C. **Final Acres:** Total acres, to tenths, of replanted acreage.
D. **Interest or Share:** Insured’s interest in the crop to three-decimal places as determined at the time of inspection.
E. **Risk:** If the acreage is not considered to be high risk land, **MAKE NO ENTRY**. If the insured acreage is on high risk land, the insured has less than 6 years of

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production, and the high risk land exceeds 30% of the acreage in the unit, enter the correct rate class from the actuarial documents.

F. **Practice:** Three-digit code number exactly as shown on the actuarial documents, for the practice used by the insured.

G. **Type/Class/Variety:** Three-digit code number entered exactly as specified on the actuarial documents, for the type grown by the insured.

H. **Stage:** Enter "R" for acreage replanted and qualifying for an increase in covered expenses. Enter "NR" for acreage not replanted or not qualifying for an increase in covered expenses.

I. **Intended or Final Use**: Enter "R" for acreage replanted or intended to be replanted and qualifying for an increase in covered expenses. Enter "NR" for acreage replanted but NOT qualifying for an increase in covered expenses.

16. **Total:** Enter the total of Column C.

The adjuster will not make any entries in Columns J through R, Item 17, or Section II. However, Items 25 and 26 should be completed as instructed (no change from FCIC 25090).

Example

Joe Farmer notifies the Company that he needs to replant 30 of his 100 acres due to an early season flood. All of Joe's cotton is non-irrigated. He has 100% interest in the crop. The Special Provisions list a replant amount of $20 per acre. The adjuster would complete Section I of the TPC Worksheet as follows and will submit the claim form to the Company. The Company will issue a revised summary of coverage showing an additional ($20 x 25 = $500) of total covered expenses for the unit. If Joe initially had 100 acres with $400 per acre ($40,000), the new total liability is $40,500.

SECTION I- ACREAGE APPRAISED, PRODUCTION, AND ADJUSTMENTS								
A	**B**	**C**	**D**	**E**	**F**	**G**	**H**	**I**
Field ID	**Prelim Acres**	**Final Acres**	**Interest or Share**	**Risk**	**Practice**	**Type Class Variety**	**Stage**	**Intended or Final Use**
A MM/DD		30	1.000		003	997	R	R
		70	1.000		003	997	NR	NR
	Total	100						
Narrative: Increase in covered expenses due to replant is $20/acre.								

The per acre increase allowed for replant is outlined in the Special Provisions. The adjuster will note in the Narrative the amount listed on the Special Provisions.

5. AUP Cotton Appraisals

This section has no significant changes from the same section of the FCIC 25090.

6. Appraisal Methods

This section has no significant changes from the same section of the FCIC 25090.

7. Appraisal Deviations and Modifications

This section has no significant changes from the same section of the FCIC 25090.

8. Appraisal Worksheet Completion Entries and Completion Procedures

This section has no significant changes from the same section of the FCIC 25090.

9. Claim Form Entries and Completion Procedures

Appraised Production – Preliminary and Final Inspections

The adjuster should make separate line entries for varying:

- Rate classes or farming practices;
- Appraisals;
- Stages or intended use(s) of acreage; or
- Shares

For appraised production, the adjuster will complete Section I of the TPC Worksheet as follows:

NOTE: The following instructions have been abbreviated for training purposes. Full instructions accompanied by notes, exceptions and adjuster verification procedures can be found in Section 9 of the COP Cotton LASH.

Items 1 through 15 should be completed as instructed (no change from FCIC 25090).

A. **Field ID** and the date of inspection for the last line entry of each inspection.

B. **Preliminary Acres:** For preliminary inspection only, enter the number of acres, to tenths, for which consent for other use has been given. Make no entry on the final inspection.

C. **Final Acres:** For a final inspection only, enter the determined acres, to tenths.

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D. **Interest or Share:** Insured's interest in the crop to three-decimal places as determined at the time of inspection.

E. **Risk:** If the acreage is not considered to be high risk land, **MAKE NO ENTRY**. If the insured acreage is on high risk land, the insured has less than 6 years of production, and the high risk land exceeds 30% of the acreage in the unit, enter the correct rate class from the actuarial documents.

F. **Practice:** Three-digit code number exactly as shown on the actuarial documents, for the practice used by the insured.

G. **Type/Class/Variety:** Three-digit code number entered exactly as specified on the actuarial documents, for the type grown by the insured.

H. **Stage:** For final inspection only, enter the appropriate abbreviation:

Stage	Explanation
P	Acreage abandoned without consent, put to other use without consent, damaged solely by uninsured causes, stalks destroyed without consent, or for which the insured fails to provide records of production which are acceptable to the insurance provider.
H	Harvested.
UH	Unharvested.

I. **Intended or Final Use**: On both preliminary and final inspections, enter the intended use of the acreage at time of appraisal. Use the following abbreviations:

Stage	Explanation
To soybeans, etc.	Use made of the acreage.
WOC	All or part of the acreage is found to have been put to other use with out consent (no longer insured).
SU	Solely uninsured.
ABA	All or part of the crop is found to have been abandoned without consent (no longer insured).
H	Harvested.
H-cut stalks	Harvested and a claim cannot be completed at the time of stalk inspection.
UH	Unharvested.

J. **Appraised Potential**: Per acre appraisal in whole pounds of POTENTIAL production for the acreage appraised. If there is no potential, enter 0.

K. **Make no entry.**

L. **Make no entry.**

M. **Uninsured Causes:** On both preliminary and final inspections:

a) Enter the *current* covered expenses per acre (from the CEW) for any acreage that is damaged SOLELY by uninsured causes.

NOTE: This amount may have been increased since the time of application if the insured exercised the Increased Covered Expense Endorsement or increased his/her covered expenses due to replant.

b) Enter the APPRAISED UNINSURED LOSS OF PRODUCTION per acre in whole pounds for any acreage damaged PARTLY by uninsured causes.

N. **Potential Counted**: On both preliminary and final inspections, Column J plus Column M.

O. **Price per Unit**: On final inspections only, enter the price per pound in dollars and cents, including any applicable LDP. If all appraised production is immature, enter the expected market price and DO NOT include any LDP.

P. **Value of Appraised Production**: Column C times Column D times Column N times Column O minus Column R. If this result is less than 0, enter 0. For "P" stage acreage, multiply Column C times Column M. **NOTE: This prevents "double counting."**

Q. **Per Acre Expenses Not Expended:** Enter per acre expenses approved but not expended from producer records and the Covered Expense Worksheet multiplied by the elected coverage level. These should be documented separately in the narrative.

R. **Total:** Column C times Column Q.

16. **Total:** For final inspections only, the total of Column C.

17. **Total:** For final inspections only, the total of Columns P and R.

Helpful Definitions:

Price per Pound

The price per pound received for sold production and the contract price for any harvested unsold production that has been contracted. For appraised mature production and harvested unsold production which has not been contracted, the price per pound will be the price quotation for the applicable growth area for cotton of like quality contained in the Daily Spot Quotations published by the USDA Agricultural Marketing Service on the date the last bale is classed or the date of final loss adjustment if there is no harvested production. If the date the last bale is classed is not available, the price quotation will be determined on the date the last bale is delivered to the warehouse, as shown on the producer's account summary obtained from the gin. The price per pound for immature appraised production will be the expected market price, and no LDP will be included in allowable income. If the price for sold or contracted production is

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Continued from replant example above:

Joe Farmer planted 100 acres of cotton prior to the final planting date. In early April a flood damaged 30 acres that was replanted to cotton. On June 8th hail severely damaged 20 acres that was appraised at 70 lbs/ac, which Joe Farmer decided to plant to soybeans. Non-expended expenses for the acreage not harvested were documented in the narrative. When the hail damage inspection was done, the adjuster found 10 acres that were damaged by an herbicide application and was determined to be a solely uninsured cause of loss. Drought in July and August damaged the entire unit and reduced the overall production significantly. All the remaining acreage was harvested.

SECTION I- ACREAGE APPRAISED, PRODUCTION, AND ADJUSTMENTS								
A Field ID	**B** Prelim Acres	**C** Final Acres	**D** Interest or Share	**E** Risk	**F** Practice	**G** Type Class Variety	**H** Stage	**I** Intended or Final Use
B MM/DD	20.0	20.0	1.000		003	997	UH	To soybeans
C MM/DD	10.0	10.0	1.000		003	997	P	SU
A,C,D,E MM/DD	70.0	70.0	1.000		003	997	H	H
16. Total		100.0						

Narrative: Ginning costs of $35/ac, 2 insect sprays @$7.50/ac, and fuel costs @$2.50/ac = $45/ac expenses not incurred. Field B released to soybeans. Field C damaged by herbicide. LDP = $0.3250. Covered expenses = $400. Increase in covered expense due to replant = $20/ac.

SECTION I cont.								
J Appraised Potential	**K** Quality Factor	**L** Adjusted Potential	**M** Uninsured Causes	**N** Potential Counted	**O** Price Per Unit	**P** Value of Appraised Production	**Q** Per Acre Expenses Not Expended	**R** Total
70.0				70.0	$0.05250	$0	$60	$765
			$400			$4,000		
						$4,000	17. Totals	$765

HARVESTED PRODUCTION – FINAL INSPECTIONS

The adjuster should make separate line entries for:

- Separate disposition; e.g., bales, remnants.
- Varying determinations of the value of production; e.g., prices.
- Varying shares; or
- Varying amounts of Other Allowable Income

For harvested production, the adjuster should complete Section II of the TPC Worksheet as follows:

If, at the time of final claim, no entries have been made in Section I - Acreage Appraised, Production and Adjustments, the adjuster should make the appropriate entries in Columns A through I, and enter total acres in Item 16.

> **NOTE:**
>
> **Other Allowable Income:**
>
> Include the total of any LDP received or requested, and if there is any production for which an LDP has not been received or requested, include the applicable LDP on the date of final loss adjustment. If the LDP was reduced due to payment limitation, include the amount of the reduction. Note the amount of the payment limitation reduction in the Narrative.

NOTE: The following instructions have been abbreviated for training purposes. Full instructions accompanied by notes, exceptions and adjuster verification procedures can be found in Section 9 of the COP Cotton LASH.

NOTE: Items 1 through 15 should be completed as instructed (no change from FCIC 25090).

If the insured has reported more than one practice on the CEW, harvested production from each practice must be reported on separate lines. Section II is typically only completed for final inspections.

Items 18 through 21 should be completed as instructed (no change from FCIC 25090).

A1. **Share:** Make an entry ONLY IF THERE ARE VARYING SHARES ON THE SAME UNIT.

A2. **Field ID**: If only one practice or type is listed in Section 1, MAKE NO ENTRY. If more than one practice or type is listed and varying approved yields exist, enter the Field ID from Column A of Section I.

B-D. **Disposition**: Enter the name, state and town of the ginner.

E. **Make no entry.**

F. **Make no entry.**

G. **Production:**

(a) For sold or ginned production, enter the total production (in pounds) from the Summary or Settlement Sheets.

(b) Determine the NET WEIGHT of all bales, remnants or unginned cotton the same way it is handled in the FCIC 25090.

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(c) Enter the total amount of production eligible for an LDP.

H-I. **Make no entry.**

J. **Production Not to Count:** Enter any production NOT TO COUNT. This includes production from solely uninsured acreage, cotton from other sources in the same module or trailer, or if stalks have been destroyed without consent.

K. **Production to Count**: Column G minus Column J.

L. **Price Per Unit:**

(a) For sold production, enter the price per pound from the Summary or Settlement Sheets.

(b) For classed, but unsold production, enter the price per pound.

NOTE: If the price received was reduced due to uninsured causes, add the amount of the reduction to the price received.

M. Make no entry.

N. Value of Production:

(a) For sold production, enter the net payment as shown on the summary or settlement sheet(s). If the insured has less than 100% share and the net payment represents 100% share, enter the result of multiplying the net payment by Column "A_1."

(b) For classed, but unsold production, multiply Column "A_1" times Column "K" times Column "L.

22. **Section II Total:** Enter the total of Section II Column N.
23. **Section I Total:** Enter the total of Section I Column P.
24. **Unit Total:** Item 22 plus Item 23.

Complete Items 25, 26 and 27 as instructed (no change from FCIC 25090).

Continued from above example:

Joe Farmer's production was ginned at Farmers Gin in Franklin, LA. Joe contacts the Company to notify them of a loss. His settlement sheets are provided to substantiate the value of production. FSA records were provided to support the LDP. As shown in the unit total below, Joe's total covered expenses for the unit ($40,000) exceed his total value of production ($14,163). He will be paid an indemnity equal to the difference.

SECTION II- HARVESTED PRODUCTION								
A1	A2	B	C	D	E	F	G	H

Share Field ID	Disposition	Leaf Quality	Quota, Non-Quota, or Bale No.	Production	Price per Unit
	Farmers Gin Franklin, LA			15,000	
	Farmers Gin Franklin, LA			1,500	
	Add. Income LDP			16,500	

SECTION II- HARVESTED PRODUCTION Cont.					
I	J	K	L	M	N
Quality Factor	Production Not to Count	Production to Count	Price per Unit	Production/ Value Not to Count	Value of Production
		15,000	$0.3000		$4,500
		1,500	$0.2000		$300
		16,500	$0.3250		$5362.50
			22. Section II Total		$10,163
			23. Section I Total		$4,000
			24. Unit Total		$14,163

10. Reference Material

Exhibits 5 and 6 of the FCIC 25090 are not included in the COP Cotton LASH because Quality A and B price quotations do not apply. All other tables and exhibits are unchanged.

Summary

Overall, loss adjustment for COP cotton is similar to loss adjustment for MPCI cotton. Differences include unit structure, situations involving replant, and the method for making quality adjustment. The appraisal methods have not been changed. The TPC Worksheet should be used for all claims. The instructions for this worksheet have been modified significantly to allow the adjuster to determine total value of production, rather than production to count. Most of the Exhibits from FCIC 25090 have been retained, except Exhibits 5 and 6. In addition, there are no instructions for ELS cotton included in the handbook at this time.

QUESTIONS

1) Adjusters should complete Section I of the TPC Worksheet for appraised production.
    a. True
    b. False

2) For immature appraised production, the adjuster should enter the ________ in Column O.
    a. Price per Pound
    b. Expected Market Price
    c. LDP
    d. Covered Expenses

3) Which of the following expenses might be entered in Column Q if a producer chooses NOT to harvest?
    a. Fertilizer
    b. Ginning
    c. Seed
    d. Land fee

4) The instructions for Items 1-15 should be filled out differently for COP than MPCI.
    a. True
    b. False

5) In a solely uninsured situation, the adjuster should enter not less than the __________ per acre in Column M.
    a. Appraised production
    b. Covered Expenses
    c. Harvest Expense
    d. Price per Pound

6) For harvested production, the adjuster must enter (on a separate line) all production eligible for an LDP in Column G and the corresponding amount of the LDP in Column L.
    a. True
    b. False

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CHAPTER 10
ACTUARIAL DOCUMENTS

INTRODUCTION

In this section, we will present information describing the format and use of the COP Cotton Special Provisions of Insurance, the FCI-35 County Rate Table and other classification documents. These actuarial documents are located in the County Actuarial Book. The RMA publishes and releases the actuarial documents for each eligible county crop program prior to the contract change date listed in the COP Cotton Crop Provisions (see Appendix B). We will also present an explanation and an example of the COP Cotton premium calculation (see Appendix I).

LEARNING OBJECTIVES

After completing this section, you should be able to:

- Understand how the Special Provisions of Insurance supplements the COP Cotton Crop Provisions.
- Locate program dates and statements on the Special Provisions of Insurance.
- Determine applicable coverage level and rate information on the FCI-35 County Actuarial Table.

LESSON

SPECIAL PROVISIONS OF INSURANCE

The Special Provisions of Insurance (SPOI) is part of the insured's crop policy. The SPOI takes precedence over the basic provisions and the crop provisions. The information on the document is generally specific to the county. Please refer to Appendix G to view an example of the SPOI for COP Cotton in Franklin County Louisiana. In addition to displaying the insurable county, crop types and practices, there are two types of information found on the document: (1) program dates and (2) statements.

1. PROGRAM DATES

There are several program dates that are displayed on the SPOI:

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- Cancellation
- Sales Closing
- Final Planting
- Acreage Reporting
- Billing
- Termination

Cancellation Date

The date by which the insured must cancel, in writing, the insurance coverage in effect for the next crop year.

Sales Closing Date

The date by which the insured must submit an application for insurance.

Final Planting Date

The date contained in the SPOI for the insured crop by which the crop must initially be planted in order to be insured for the full production guarantee or amount of insurance per acre.

Acreage Reporting Date

The date by which the insured is required to submit acreage reports. Acreage reports must be filed no later than the acreage reporting date contained in the SPOI for the county for the insured crop or as provided in the basic policy provisions.

Billing Date

The date by which the premium is due.

Termination Date

The date by which the insurance is terminated for debt.

2. Statements

There are several different types of statements that may be found on the SPOI:

- County Statements
- Crop Statements
- Type Statements
- Practice Statements
- Date Statements
- Crop Provisions Statements
- Price Statements

For COP Cotton, the following statements are applicable:

Practice Statements

Practice statements describe approved farming practices for the crop in the county.

General Statements

General statements describe rate related information such as subsidy or high risk.

Crop Provisions Statements

Crop provisions statements describe conditions of insurability such as interplanting or crop rotation requirements.

FCI-35 County Rate Table

The FCI-35 County Rate Table is a document that provides the insurable county, crop types and practices, risk class, coverage levels and base premium rates by coverage level. High risk map areas and corresponding rates, rate options and related statements are also displayed on the table when applicable. The FCI-35 is used to determine producer premium. Please refer to Appendix H to view an example of the FCI-35 County Rate for COP Cotton in Franklin County Louisiana.

The FCI-35 for COP Cotton is designed as an individually-rated product. To determine a producer's premium, a base county rate is adjusted to reflect the individual producer's performance relative to the overall county performance. Producers that exhibit less variability or better yields relative to the county will have a lower premium than producers who exhibit higher variability or lower yields.

An individual producer's performance relative to the county is measured through three variables: the producer's average (mean) yield; the coefficient of variation for the producer's yields (i.e., the degree to which the producer's historical yields vary over time); and, the producer's average (mean) profit margin (i.e., the average of each historical year profit, calculated as historic yield times the announced price minus cost of production). Collectively, these variables are used to determine an adjustment factor to the base county rate. The ratio of the producer's average yield to the county average yield represents 27% of the adjustment; the ratio of the producer's yield coefficient of variation to the county coefficient represents 37%; and, the ratio of the producer's average profit margin to the county average profit margin represents 36% of the adjustment.

The previous process results in an implied adjustment (represented as a percentage) to the county base rate. This implied adjustment undergoes one additional adjustment to assess a producer's experience. This final adjustment establishes the credibility of the producer's historical data by comparing the producer's years of experience and cumulative acreage. The adjustment is necessary since a producer with ten years of experience will have a 'better' average yield than a producer with one year of experience. This assessment adjusts the rate to reflect the producer's years of production and cumulative acreage relative to critical years and acreage established for the county. The result of this process is the producer's actual adjustment percentage. The following calculation:

County Base Rate * (1 + Actual Adjustment)

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This calculation results in the actual producer specific base rate. This rate is represented as dollars per dollar insured ($ / $ insured). Multiplying this rate times the covered expenses results in the producer's premium (on a per acre basis). Please refer to Appendix J for an example of premium calculation process.

OTHER CLASSIFICATION DOCUMENTS

Other classification documents that may be found in the County Actuarial Book include the FCI-32 Crop Insurance Actuarial Classification Listing; the FCI-33 County Actuarial Map; and. the FCI-33 Supplement. If any of these documents are in effect for APH Cotton, they will remain in effect for COP Cotton.

FCI-32 CROP INSURANCE ACTUARIAL CLASSIFICATION LISTING

The FCI-32, Crop Insurance Actuarial Classification Listing is a document that is used to assign classifications (based on land or management) by individual listings. The accompanying rules page will clarify whether the FCI-32 is the primary classification mechanism or supplements and takes precedence over another document such as the FCI-35, County Rate Table or FCI-33, Crop Insurance Actuarial Map.

FCI-33 CROP INSURANCE ACTUARIAL MAP

The FCI-33, Crop Insurance Actuarial Map is a detailed map indicating the classifications for the actuarial structure of a county. It may consist of one or multiple pages and a rules page. It also identifies high risk or unrated land, when applicable. Maps are also used a "T" Yield locator documents or may authorize deviations from the basic actuarial structure. Classifications assigned by the FCI-33 are with the FCI-35 to determine rates.

FCI-33 SUPPLEMENT

The FCI-33 Supplement is a limited listing of exceptions to the classifications shown on the FCI-33, Crop Insurance Actuarial Map. The FCI-33 takes precedence over the FCI-33.

SUMMARY

The actuarial documents for COP Cotton will be released by the RMA prior to the contract change found in the COP Cotton Crop Provisions. The actuarial documents include the SPOI, the FCI-35 and other classification documents. Documents are released for each eligible COP Cotton county.

The SPOI is part of the insured's crop policy and takes precedence over the Basic Provisions and the COP Cotton Crop Provisions. Program dates and statements are displayed on the SPOI.

The FCI-35 displays rate information that is used to determine producer premium.

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Other classification documents may be in effect for the county crop program if applicable. These documents may include the FCI-32 Actuarial Classification Document, the FCI-33 County Actuarial Map, and the FCI-33 Supplement.

The premium for COP Cotton is based on the individual performance of the producer as compared to the performance of all of the other cotton producers in the county. The base premium rate is adjusted by a factor that represents the performance comparison.

QUESTIONS

1) The Special Provisions of Insurance take precedence over
   a. the FCI-35
   b. the FCI-35 and the Basic Provisions
   c. the FCI-35, the Basic Provisions and other classification documents
   d. the Basic Provisions and the COP Cotton Crop Provisions

2) The FCI-35 is used to
   a. determine coverage
   b. determine producer premium
   c. calculate indemnities and subsidy
   d. calculate price elections

3) The COP Cotton insured's premium is determined by
   a. a base rate developed from the county loss experience
   b. a price guarantee based on individual producer yields
   c. an adjustment to the base premium rate by a factor representing the producer's performance as compared to the county's performance
   d. 10 years or more producer records

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Appendix A: Pilot Cost of Production Insurance Policy

When approved, the finalized policy will be placed here.

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APPENDIX B: COP PILOT COTTON CROP PROVISIONS

When approved, the finalized crop provisions will be placed here.

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APPENDIX C: EXHIBIT 1: 2003 CROP POLICY INFORMATION

The following exhibits apply to Upland Cotton, in addition to any exhibits applicable to Upland Cotton contained in the COP General Underwriting Guide.

Pilot Areas		Dates				
County	State	Sales Closing	Initial Planting	Final Planting	Acreage Reporting	Billing
Autauga	AL	2/28/04	4/1/04	5/25/04	6/30/04	11/1/04
Dallas	AL	2/28/04	4/1/04	5/25/04	6/30/04	11/1/04
Elmore	AL	2/28/04	4/1/04	5/25/04	6/30/04	11/1/04
Lawrence	AL	2/28/04	4/1/04	5/20/04	6/30/04	11/1/04
Limestone	AL	2/28/04	4/1/04	5/20/04	6/30/04	11/1/04
Madison	AL	2/28/04	4/1/04	5/20/04	6/30/04	11/1/04
Maricopa	AZ	2/2804	4/1/04	5/15/04	7/15/04	11/1/04
Pinal	AZ	2/28/04	4/1/04	5/15/04	7/15/04	11/1/04
Fresno	CA	2/28/04	4/1/04	5/15/04	7/15/04	11/1/04
Kern	CA	2/28/04	4/1/04	5/15/04	7/15/04	11/1/04
Kings	CA	2/28/04	4/1/04	5/15/04	7/15/04	11/1/04
Madera	CA	2/28/04	4/1/04	5/15/04	7/15/04	11/1/04
Merced	CA	2/28/04	4/1/04	5/15/04	7/15/04	11/1/04
Tulare	CA	2/28/04	4/1/04	5/15/04	7/15/04	11/1/04
Colquitt	GA	2/28/04	4/1/04	5/31/04	6/30/04	11/1/04
Mitchell	GA	2/28/04	4/1/04	5/31/04	6/30/04	11/1/04
Worth	GA	2/28/04	4/1/04	5/31/04	6/30/04	11/1/04
Concordia	LA	2/28/04	4/1/04	5/25/04	7/15/04	11/1/04
East Carroll	LA	2/28/04	4/1/04	5/25/04	7/15/04	11/1/04
Franklin	LA	2/28/04	4/1/04	5/25/04	7/15/04	11/1/04
Tensas	LA	2/28/04	4/1/04	5/25/04	7/15/04	11/1/04
Coahoma	MS	2/28/04	4/1/04	5/25/04	7/15/04	11/1/04
Leflore	MS	2/28/04	4/1/04	5/25/04	7/15/04	11/1/04
Yazoo	MS	2/28/04	4/1/04	5/25/04	7/15/04	11/1/04
Halifax	NC	2/28/04	4/1/04	5/15/04	6/30/04	11/1/04
Martin	NC	2/28/04	4/1/04	5/15/04	6/30/04	11/1/04
Northampton	NC	2/28/04	4/1/04	5/15/04	6/30/04	11/1/04
Bailey	TX	3/15/04	5/1/04	5/31/04	7/15/04	11/1/04
Brazos	TX	2/28/04	4/1/04	5/31/04	6/15/04	11/1/04
Burleson	TX	2/28/04	4/1/04	5/31/04	6/15/04	11/1/04
Cameron	TX	1/31/04	2/15/04	3/31/04	5/15/04	11/1/04
Castro	TX	3/15/04	5/1/04	5/31/04	7/15/04	11/1/04
Cochran	TX	3/15/04	5/1/04	6/5/0044	7/15/04	11/1/04
Fisher	TX	3/15/04	5/5/04	6/20/04	7/15/04	11/1/04
Hale	TX	3/15/04	5/1/04	6/5/04	7/15/04	11/1/04
Haskell	TX	3/15/04	5/5/04	6/20/04	7/15/04	11/1/04
Hidalgo	TX	1/31/04	2/15/04	3/31/04	5/15/04	11/1/04
Hockley	TX	3/15/04	5/1/04	6/5/04	7/15/04	11/1/04
Jones	TX	3/15/04	5/5/04	6/20/04	7/15/04	11/1/04
Knox	TX	3/15/04	5/5/04	6/20/04	7/15/04	11/1/04
Lamb	TX	3/15/04	5/1/04	5/31/04	7/15/04	11/1/04
Lubbock	TX	3/15/04	5/1/04	6/5/04	7/15/04	11/1/04
Milam	TX	2/28/04	4/1/04	5/31/04	6/15/04	11/1/04
Mitchell	TX	3/15/04	5/5/04	6/20/04	7/15/04	11/1/04
Nueces	TX	1/31/04	3/1/04	4/15/04	5/15/04	11/1/04
Parmer	TX	3/15/04	5/1/04	5/31/04	7/15/04	11/1/04
Robertson	TX	2/28/04	4/1/04	5/31/04	6/15/04	11/1/04
San Patricio	TX	1/31/04	3/1/04	4/15/04	5/15/04	11/1/04
Scurry	TX	3/15/04	5/5/04	6/20/04	7/15/04	11/1/04
Swisher	TX	3/15/04	5/1/04	5/31/04	7/15/04	11/1/04

Willacy	TX	1/31/04	2/15/04	3/31/04	5/15/04	11/1/04
Williamson	TX	2/28/04	4/1/04	5/31/04	6/15/04	11/1/04

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Appendix D: Exhibit 2: FSA Rules for Skip-Row Planting Patterns

GENERAL INFORMATION

From the Definitions section of the Cotton Crop Provisions, "Skip-row" means a planting pattern that:

A **Consists of alternating rows of Cotton** and fallow land or land planted to another crop the previous fall; and

B **Qualifies as a skip-row planting pattern** as defined by the Farm Service Agency (FSA) or successor agency.

FSA RULES

The FSA Acreage Compliance Determinations Handbook (2CP) provides the methods of determining acreage of solid plant and skip-row Cotton.

See B below for further instructions on determining the acreage of skip-row Cotton.

ACRES CONSIDERED PLANTED

A **Acreage determinations and qualifying skip-row planting patterns** must agree with the FSA rules. For irrigated and non-irrigated Cotton, if the skips in any skip-row planting pattern do not meet the FSA requirements for a skip-row planting pattern and the entire area is considered devoted to Cotton, use a percent-planted factor of 1.000. [Refer to Table 4 for percent-planted factors for qualifying skip-row patterns.] For acreage report purposes, the planting pattern established on the final planting date is used for determining acreage and the approved yield for subsequent crop years.

B **See Table 4 for FSA Percent-planted Factors.**
For all skip-row Cotton (irrigated and non-irrigated), the acreage of Cotton will be the planted portion of the field as defined by FSA (See Cotton AUP Contract Provisions). Contact the applicable county FSA office for the correct percent-planted factor for any row widths and planting patterns or varying row widths and planting patterns not listed in Table 4.

C **Revision of Prior Years' APH due to FSA percentage planting factor changes:**
For APH purposes, RMA will allow insureds to revise prior years' acreage and solid plant yields based on the new percentage planting factors for skip-row patterns contained in Table 4, or as determined by the applicable county FSA office. The

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producer must provide continuous acceptable records indicating the skip-row patterns and row widths used. Crop year 2003 approved APH yields will reflect either the revised acreage or solid plant yields, as applicable, or, if the producer does not provide continuous acceptable prior year skip-row records, the previous acreages and solid plant yields. The following example provides how prior year APH yields should be converted using the new FSA percentage planting factors when insured's records provide the skip-row planting patterns and row widths used for affected years.

Example: 1 in, 1 out skip-row planting pattern with 36- inch row widths. RMA yield conversion factor 1.28 (no change), FSA percentage planting factor in previous years was 89% and new rule provides 55.56% planting factor.

Previous FSA Skip-Row Rules
FSA Percent-planted Factor - .89

A	B	C	D (A*FSA Percent-planted Factor)	E (C/D)	F (E/Yield Conversion Factor)
Field Acres	Crop Year	Production	Acres Considered Planted to Cotton	Yield/Skip-row Ac.	Yield/Solid-Plant Ac.
101.1	1998	38,850	90	398	311
101.1	1999	31,300	90	348	272
101.1	2000	33,500	90	372	291
101.1	2001	29,700	90	330	258
101.1	2002	30,500	90	339	265

Solid-Plant Approved APH Yield 279
(sum of column F divided by 5 years certified)

Columns B, C, D and F are reported on the APH Form

Current FSA Skip-Row Rules
FSA Percent-planted Factor - .5556

A	B	C	D (A*FSA Percent-planted Factor)	E (C/D)	F (E/Yield Conversion Factor)
Field Acres	Crop Year	Production	Acres Considered Planted to Cotton	Yield/Skip-row Ac.	Yield/Solid-Plant Ac.
101.1	1998	38,850	56.2	638	498
101.1	1999	31,300	56.2	557	435
101.1	2000	33,500	56.2	596	466
101.1	2001	29,700	56.2	528	413
101.1	2002	30,500	56.2	543	424

Solid-Plant Approved APH Yield 447

(sum of column F divided by 5 years certified)

Columns B, C, D and F are reported on the APH Form

ACREAGE REPORT YIELDS FOR NON-IRRIGATED SKIP-ROW PLANTING PATTERNS

A **To compute the acreage report yield** for non-irrigated skip-row planting pattern(s) carried out, multiply the approved solid-planted yield from the production reporting form times the yield conversion factor for the qualifying skip-row planting pattern. Irrigated acreage does not qualify for skip-row yield conversion factors.

If the entire area is considered devoted to Cotton (solid planted) by FSA, a yield conversion factor of 1.00 must be used. Use the following tables to convert qualifying non-irrigated skip-row Cotton yields to a solid-planted basis:

1 **Table 1 factors apply to** Arkansas, Louisiana, Missouri, and all states east of these states.

2 **Table 2 factors apply to** New Mexico and the following counties in Texas: Baylor, Concho, Runnels, Schleicher, Shackleford, Sutton, Taylor, Throckmorton, Valverde, Wilbarger, and all counties west of these counties.

3 **Table 3 factors apply to** Kansas, Oklahoma, and all Texas counties for which Table 2 does not apply.

TABLES

TABLE 1

These factors apply to Arkansas, Louisiana, Missouri, and all states east of these states.

Planting Pattern[1]	Yield Conversion Factor
Solid-planted or non-qualifying Skip-row patterns as determined by FSA.	1.00
2 planted X 1 skipped	1.33
2 planted X 1 narrow skip (40-40-*24)	1.23
2 planted X 1 narrow skip (38-38-*26)	1.25
2 planted X 2 skipped	1.50
2 planted X 4 or more skipped (fallowed rows) (2x4, 2x6, etc.)	1.67 2/
4 planted X 1 skipped	1.20
4 planted X 2 skipped	1.33
4 planted X 4 skipped	1.33 2/
6 planted X 1 skipped	1.14
6 planted X 2 or more skipped	1.20 2/
All Other	As Computed Below

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1/ Row widths are equal unless otherwise indicated.
2/ Factors limited by procedure.
***** Fallow strip (plus one-half row width on either side).

A **Planting Patterns.** For planting patterns of unequal row widths within the pattern or row patterns other than those listed above, compute the yield conversion factor as follows:

1 **Divide the width in inches** of the area skipped in the pattern (as defined by FSA) by the width in inches of the whole pattern, rounded to 2 decimals.

2 **Add 1.00 to the results** obtained in item 1.

Example: 3x1 (40" rows) = 40 ÷ 160 = .25 + 1.00 = 1.25

In some areas, mixed patterns are planted such as 4x1x2x1. To calculate the factor for these patterns, determine the factor for each part (4x1 and 2x1) and compute a weighted factor based on the number of planted rows.

Example: 4x1x2x1 (40" rows)

4x1 = 40 ÷ 200 = .20 + 1.00 = 1.20 x 4 = 4.80

2x1 = 40 ÷ 120 = .33 + 1.00 = 1.33 x 2 = 2.66

7.46 ÷ 6 rows = 1.24

B **The Result Of Item A 2 Must Not Exceed:**

1 **1.67 for any pattern or part** of a pattern of 1 planted row or 2 consecutive planted rows alternating with idle land.

2 **1.45 for any pattern or any part** of a pattern of 3 consecutive planted rows alternating with idle land.

3 **1.33 for any pattern or part** of a pattern of 4 consecutive planted rows alternating with idle land.

4 **1.20 for any pattern or part** of a pattern of 5 or 6 consecutive planted rows alternating with idle land.

5 **1.00 for any pattern or a part** of a pattern of 7 or more consecutive planted rows alternating with idle land.

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TABLE 2

These factors apply to New Mexico, and the following counties in Texas: Baylor, Concho, Runnels, Schleicher, Shackleford, Sutton, Taylor, Throckmorton, Valverde, Wilbarger, and all counties west of these counties.

Planting Pattern	Yield Conversion Factor
Solid-planted (solid drilled-62") or non-qualifying skip-row patterns as determined by FSA.	1.00
1 planted X 1 or more skipped 30" - 35"	1.14
1 planted X 1 or more skipped 36" - 62"	1.28
1 planted (38") X 1 skipped (34")	1.28
1 planted (<30") X 1 skipped (<30")	1.00
2 planted X 1 skipped 36" - 62"	1.42
2 planted X 1 skipped 30" - 35"	1.26
2 planted (30" - 62") X 1 skipped (<30")	1.00
2 planted (36" - 62") X 1 skipped (30" - 35")	1.26
2 planted (30" - 35") X 1 skipped (36" - 62")	1.26
2 planted X 2 or more skipped (36" - 62")	1.80
2 planted X 2 or more skipped (30" - 35")	1.60
2 planted (30" - 35") x 2 skipped (36" -62")	1.70
2 planted (36" - 62") X 2 skipped (30" - 35")	1.70
3 planted X 1 skipped (36" - 62")	1.35
3 planted X 2 or more skipped (36" - 62")	1.69
3 planted X 1 skipped (30" - 35")	1.20
3 planted X 2 or more skipped (30" - 35")	1.50
4 planted X 1 skipped (36" - 62")	1.28
4 planted X 2 or more skipped (36" - 62")	1.57
4 planted X 1 skipped (30" - 35")	1.14
4 planted X 2 or more skipped (30" - 35")	1.40
5 planted X 1 skipped (36" - 62")	1.14
5 planted X 2 or more skipped (36" - 62")	1.43
5 planted X 1 skipped (30" - 35")	1.07
5 planted X 2 or more skipped (30" - 35")	1.27
6 planted X 1 skipped (30" - 62")	1.00
6 planted X 2 or more skipped (36" - 62")	1.28
6 planted X 2 or more skipped (30" - 35")	1.14
7 planted X 1 skipped (30" - 62")	1.00
7 planted X 2 or more skipped (30" - 62")	1.10
8 planted X 1 skipped (30" - 62")	1.00
8 planted X 2 or more skipped (30" - 62")	1.06
9 planted X 1 or more skipped (30" - 62")	1.00
10 or more planted X 1 or more skipped (30" - 62")	1.00

Note: < = less than

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In some areas, mixed patterns are planted such as 3X2, 4X1, and 2X2. To calculate yield conversion factor for these patterns, determine a factor for each pattern (3X2, 4X1, and 2X2) and compute a yield conversion factor based on a simple average. If a pattern(s) does not qualify as a skip-row planting pattern as determined by FSA, 1.00 is used for that pattern.

Example: 3X2, 4X1, and 2X2 patterns planted in 40" rows

3X2 = 1.69

4X1 = 1.28

2X2 = 1.80

4.77/3 = 1.59

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TABLE 3

These factors apply to Kansas, Oklahoma, and all Texas counties for which Table 2 does not apply.

Planting Pattern Yield	Conversion Factor
Solid planted (solid drilled-62") or Non-qualifying skip-row patterns as determined by FSA.	1.00
1 planted X 1 or more skipped (30" - 35")	1.14
1 planted X 1 or more skipped (36" - 62")	1.28
1 planted (38") X 1 skipped (34")	1.28
1 planted (<30") X 1 skipped (<30")	1.00
2 planted X 1 skipped (36" - 62")	1.33
2 planted X 1 skipped (30" - 35")	1.26
2 planted (30" - 62") X 1 skipped (<30")	1.00
2 planted (30" - 35") X1 skipped (36" - 62")	1.26
2 planted X 2 or more skipped (36" - 62")	1.50
2 planted X 2 or more skipped (30" - 35")	1.41
2 planted (30" - 34") X 2 skipped (35" - 62")	1.46
2 planted (35" - 62") X 2 skipped (30" - 34")	1.46
3 planted X 1 skipped (36" - 62")	1.31
3 planted X 2 or more skipped (36" - 62")	1.45
3 planted X 1 skipped (30" - 35")	1.20
3 planted X 2 or more skipped (30" - 35")	1.37
4 planted X 1 skipped (36" - 62")	1.28
4 planted X 2 or more skipped (36" - 62")	1.40
4 planted X 1 skipped (30" - 35")	1.14
4 planted X 2 or more skipped (30" - 35")	1.33
5 planted X 1 skipped (36" - 62")	1.14
5 planted X 2 or more skipped (36" - 62")	1.34
5 planted X 1 skipped (30" - 35")	1.07
5 planted X 2 or more skipped (30" - 35")	1.27

Note: < = less than

All other skip row patterns having 6 or more planted rows with 1 or more qualifying skip (fallow) row(s) will have the same factors as those shown in Table 2.

In some areas, mixed patterns are planted such as 3X2, 4X1, and 2X2. To calculate yield conversion factor for these patterns, determine factor for each pattern (3X2, 4X1, and 2X2) and compute a yield conversion factor based on a simple average. If a pattern(s) does not qualify as a skip-row planting pattern as determined by FSA, 1.00 is used for that pattern.

Example: 3X2, 4X1, 2X2 patterns planted in 40” rows

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3X2 = 1.45

4X1 = 1.28

2X2 = 1.50

4.23/3 = 1.41

TABLE 4 - ACRES CONSIDERED PLANTED BY FSA TABLE *

Cropping Definition	Row Width	Percent Planted to Cotton
1 planted 1 skipped	40 inch	50.00%
1 planted 1 skipped	36 inch	55.56%
1 planted 1 skipped	32 inch	62.50%
1 planted 4 skipped	40 inch	20.00%
1 planted 4 skipped	36 inch	22.22%
1 planted 1 skipped Double at the Turn	36 or 40 inch	55.56%
2 planted 1 skipped 1 planted 1 skipped 1 planted	30 to 40 inch	66.67%
1 skipped 2 planted 1 skipped 2 planted 1 skipped 2 planted	30 to 40 inch	66.67%
4 planted 1 skipped 2 planted 1 skipped	30 to 40 inch	75.00%
2 planted 1 skipped 2 planted 1 skipped 2 planted 2 skipped	30 to 40 inch	60.00%
2 planted 1 skipped	30 to 40 inch	66.67%
2 planted 2 skipped	30 to 40 inch	50.00%
3 planted 1 skipped	30 to 40 inch	75.00%
4 planted 2 skipped	30 to 40 inch	66.67%
6 planted 2 skipped	30 to 40 inch	75.00%
8 planted 1 skipped	30 to 40 inch	88.89%
8 planted 2 skipped	30 to 40 inch	80.00%

*NOTE: For all skip-row Cotton (Irrigated and Non-Irrigated), this must be the planted portion of the field as defined by FSA. Contact the applicable county FSA office for the correct percent-planted factor for any row widths and planting patterns or varying row widths and planting patterns not listed in the above table.

COMPLETION OF THE COTTON PRODUCTION REPORTING FORM

A **Example 1.**

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This example is a two-step process to convert skip-row yields to a solid-plant yield. The insured certified for the most recent six crop years, the following total production and acres considered planted to Cotton by FSA.

Next most recent crop year 217,070 lbs. and 620.2 acres
Next most recent crop year 182,250 lbs. and 450.0 acres
Next most recent crop year 128,800 lbs. and 400.0 acres
Next most recent crop year 143,310 lbs. and 510.0 acres
Next most recent crop year 259,000 lbs. and 700.0 acres
Most recent crop year 122,010 lbs. and 400.0 acres

The insured carried out a Non-Irrigated 2 X 1 skip-row practice planted in 40-inch rows all years.

YEAR	PROD.	ACRES	YIELD
XXXX	217,070	620.2	A350
XXXX	182,250	450.0	A405
XXXX	128,800	400.0	A322
XXXX	143,310	510.0	A281
XXXX	259,000	700.0	A370
XXXX	122,010	400.0	A305
			19. TOTAL
20(A) PLEM.YIELD.		21. APPROVED YIELD	
20(B) PRIOR YIELD.			

In order to complete the Production and Yield Report on a solid planted basis, the average yield for the six crop years were transferred to the Total Production Column (Col. 16 FCI-19-A) in another block of the Production and Yield Report. The average yields are then divided by the applicable yield conversion factor and the result is entered in the Yield Column (Col. 18 FCI-19-A).

YEAR	AVG. YIELD	CONV. FACTOR	YIELD
XXXX	350	1.42	A246
XXXX	405	1.42	A285
XXXX	322	1.42	A227
XXXX	281	1.42	A198
XXXX	370	1.42	A261
XXXX	305	1.42	A215
			19. TOTAL
20(A) PLEM.YIELD.		21. APPROVED YIELD	
20(B) PRIOR YIELD.			

B **<u>Example 2.</u>**

This example illustrates the use of the Multi-purpose Production and Yield Report Worksheet to arrive at the solid-plant yield for the six years certified. Total production for each of the six years is divided by the appropriate yield conversion factor (for the planting pattern and row spacing). The factored production for each crop year is entered in the Total Production Column (Col. 16 FCI-19-A) of the production reporting form. Acres considered planted to Cotton are entered in the Acres Column (Col. 17 FCI-19-A). If gross acres (Col. 4), the appropriate percent factor must be applied. The solid-plant yields for the six crop years for the practice carried out (Non-Irrigated) are entered in the Yield Column (Col. 18 FCI-19-A).

MULTIPURPOSE PRODUCTION AND YIELD REPORT WORKSHEET

Crop Year	1	2	3	4	5	6
XXXX	217,070	÷ 1.42 =	152,866	930.3	620.2	246
XXXX	182,250	÷ 1.42 =	128,345	675.0	450.0	285
XXXX	128,800	÷ 1.42 =	90,704	600.0	400.0	227
XXXX	143,310	÷ 1.42 =	100,923	765.0	510.0	198
XXXX	259,000	÷ 1.42 =	182,394	1050.0	700.0	261
XXXX	122,010	÷ 1.42 =	85,923	600.0	400.0	215

PRODUCTION REPORTING FORM

YEAR	FACTORED PROD.	ACRES	YIELD
XXXX	*152,866	620.2	A246
XXXX	*128,346	450.0	A285
XXXX	*90,704	400.0	A227
XXXX	*100,923	510.0	A198
XXXX	*182,394	700.0	A261
XXXX	*85,923	400.0	A215
			19. TOTAL
20(A) PLEM.YIELD.		21. APPROVED YIELD	
20(B) PRIOR YIELD.			

*Factored production

C **Example 3.**

The following production reporting form is for a carryover insured that has an existing database. For the most recent crop year, the insured reported 94,640 pounds of skip-row production and 124.4 gross skip-row acres. A Non-Irrigated, (2X1) 40-inch planting pattern was carried out. The agent assisted the insured in completing the production reporting form by dividing the production by the skip-row yield conversion factor (1.42) and multiplying the percent-planted factor (.6667) times the acreage planted (for the most recent crop year) and entering this information on the insured's production reporting form. The approved yield is calculated using Category B COP Insurance crop procedure.

YEAR	FACTORED PROD.	ACRES	YIELD
XXXX	49,510	90.0	A550
XXXX	39,900	92.2	A433
XXXX	60,030	88.5	A678
XXXX	*20,160	80.0	A252
XXXX	*28,420	81.2	A350
XXXX	*66,648	83.0	A803
			19. TOTAL 3,066
20(A) PLEM.YIELD.		21. APPROVED YIELD 511	
20(B) PRIOR YIELD.			

*Factored Yield

D **<u>Example 4.</u>**

In this example, a new insured reported the four most recent crop year's production. Unit 00100's production for the next most recent crop year was commingled between Irrigated and Non-Irrigated skip-row practices [see the example on the following page].

UNIT 00100 - Irrigated practice

YEAR	FACTORED PROD.	ACRES	YIELD
XXXX	29,824	64.0	A466
XXXX	48,400	55.0	A880
XXXX	*15,400	50.0	A308
XXXX	*36,600	52.0	A704
			19. TOTAL 2,358
20(A) PLEM.YIELD. 590		21. APPROVED YIELD 590	
20(B) PRIOR YIELD. N/A			

*Production Commingled
"T" Yield = 460

UNIT 00200 – Non-irrigated Practice

YEAR	FACTORED PROD.	ACRES	YIELD
XXXX	*37,200	200.0	A186
XXXX	*28,700	140.0	A205
XXXX	*11,023	151.0	A73
XXXX	*36,660	244.0	A150
			19. TOTAL 614
20(A) PLEM.YIELD. 154		21. APPROVED YIELD 154	
20(B) PRIOR YIELD. N/A			

*Production Commingled
"T" Yield = 300

E **Example 5.**

The yield conversion factors for this example were taken from Table 2 of this Exhibit and determined from the following information.

The insured commingled production between irrigated Cotton and non-irrigated skip-row Cotton. The total production is 32,710 pounds, 50 acres irrigated; 29.4 acres (considered planted to Cotton) non-irrigated skip-row, 2X3, 40-inch rows (yield conversion factor 1.80); 26.6 acres (considered planted to Cotton) non-irrigated skip-row 2X4, 40-inch rows (yield conversion factor 1.80); 95.0 acres (considered planted to Cotton) non-irrigated skip-row 2X1, 40-inch rows (yield conversion factor 1.42).

Step 1: Determine the Irrigated and Non-Irrigated yield. [Refer to the commingled production worksheet.]

Step 2: Determine the yield factor for the Non-Irrigated skip-row acreage. [Refer to the skip-row yield determination factor determination.]

COMMINGLED COTTON PRODUCTION DETERMINATION

Step 1:

PRACTICE	PLANTED ACRES	100% "T" YIELD	YIELD EXTENSION	YIELD FACTOR	FACTOR X "T" YIELD
IRR	50.0 x	350 =	17,500	.88	(350 x .88) = 308
NI	151.0 x	130 =	19,630	.88	(130 x .88) = 114

Total Production: 32,710 ÷ 37,130 = .88

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SKIP-ROW YIELD FACTOR DETERMINATION

Step 2:

NI SKIP ROW	PLANTED ACRES	YIELD CONVERSION	FACTORED ACRES	YIELD CONVERSION FACTOR	SOLID PLANTED YIELD (NI YIELD ÷ YIELD FACTOR)
2X3(40")	29.4 x	1.80 =	52.9	1.56	114 ÷ 1.56 = 73
2X4(40")	26.6 x	1.80 =	47.9	1.56	114 ÷ 1.56 = 73
2X1(40")	95.0 x	1.42 =	134.9	1.56	114 ÷ 1.56 = 73

TOTAL **151.0** **235.7 ÷ 151.0 = 1.56**

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APPENDIX E: EXHIBIT 9: COMBINING UNITS

COP is on an enterprise unit basis. A new COP insured may have reported production and acreage on a basic, optional and/or practice basis that correspond to existing APH rules and regulations for the crop. These reports will be combined into an enterprise unit for COP purposes. An insured is able to switch to an insurance plan that requires production reports on other than an enterprise unit basis where insurance is available on the same crop under another insurance plan. When requested by an insured, agents/representatives should maintain production reports that facilitate accurate and acceptable reporting of production and acreage on other than an enterprise unit basis. Exhibit 15 of the 2002 Crop Insurance Handbook (June 2001) details the procedures to be used when combining and dividing units for APH based plans of insurance. These procedures should be followed when a COP insured changes to an APH based insurance plan. Regardless of how units are combined or divided for other plans of insurance, for COP all acreage of the insured crop in the insurable county will be a single enterprise unit and no division of the enterprise unit will be allowed under the pilot COP program.

This exhibit addresses establishment of the databases for carryover insureds with valid yield history (databases containing actual and/or assigned yields) on file when basic or optional units are combined into enterprise units for COP. Valid yield history on file includes ANY MPCI Insurance Provider's databases.

This procedure is effective for carryover insureds for Category B and C COP crops. It applies by unit and by P/T/V requiring separate yields within a unit. Separate databases are also required for each "T" Yield Map Area except for Category C crops when weighted average yields are calculated for a unit that contains more than one "T" Yield Map Area. Yield limitation provisions do not apply when units are combined. Agents/representatives may combine the previous yield history, but the verifier must issue the approved yield.

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COMBINING YIELD HISTORY (CATEGORY B AND C CROPS)

A Situations Requiring Yield History to Be Combined.

1 **Change in unit definition or arrangement.** Two or more enterprise units are combined into one enterprise unit due to a change in unit definition or change in enterprise unit arrangement.

2 **Previously insured on a basic and/or optional unit basis and a production report filed by enterprise unit.** The insured's previous yield history is on a basic and/or optional unit basis and for the most recent crop year the insured files enterprise unit production reports.

B Some Situations May Require Combining Basic and/or Optional Units But Not the Yield History.

1 **<u>Production reported on a basic and/or optional unit basis but insured on an enterprise unit basis.</u>** The insured continues to provide production reports on an optional unit basis but insures on an enterprise unit basis. When production reports are filed on a basic and/or optional unit basis, the databases must be combined for COP, which requires the combination into enterprise units. This allows for multiple yields within an enterprise unit if separate yields are maintained for basic and/or optional at the insureds request.

2 **<u>No production report.</u>** Failure to provide production reports for the most recent crop year in the base period.

C **<u>Procedure For Combining Databases.</u>** Yield history from all units (separated by P/T/V) being combined which contain actual and/or assigned yields, will be entered in the current (policy) crop year database according to the following procedure. [Refer to Example 1 and Example 2.] If the producer requests combining units after the PRD, do not combine the production history (databases). Multiple line entries on the acreage report are maintained.

Step 1 Complete the most recent year in the database by using the current production report(s) filed for the previous (policy) crop year. If acceptable production report(s) are not filed for the previous (policy) crop year, and insurable acreage was planted, use the assigned yield for units (by P/T/V) that were planted. If insurable acreage was planted on more than one unit/P/T/V, use a simple average of the prior approved yields for the applicable units (by P/T/V), times .75. For units (by P/T/V) that were not planted, use zero-planted procedures.

Step 2 Combine the total production (Col. 16 of the Production and Yield Report) and actual acres (Col. 17 of the Production and Yield Report) for each crop year. For crop years with assigned yields, multiply the insurable, planted acres times the assigned yield to establish the amount of production, and calculate in the same manner as a year with actual yields. Divide the combined production by the combined acres for each crop year. Next, enter the combined total production, acres and average yields in the current (policy) crop year's database.

Step 3 For (policy) crop years in which no acres have been planted on ANY of the units (by P/T/V) being combined, a "Z" is entered if the database contains sufficient space. A production report containing zero acres maintains continuity for production reporting purposes.

Step 4 Calculate the approved yield using the applicable Category B or C COP procedure.

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REFER TO THE APPLICABLE CROP YEAR CROP INSURANCE HANDBOOK FOR PROCEDURE TO DIVIDE COP YIELD HISTORY (CATEGORY B CROPS).

ADDING LAND TO AN EXISTING UNIT

When land has been added to a unit. [Refer to Exhibit 18.]

COMBINING YIELD HISTORY WITHIN A UNIT

For a unit composed of cropland from part of a parent farm (unit) and land added from a different farm (unit[s]), use the following procedure.

A **Determine the Production History to Be Retained.** [When part of a unit's production history is retained, follow the instructions in C above and determine the production history to be retained for the land involved.]

B **Land with Yield History Added to the Unit.** The yield history from the unit [determined in A above] and the yield history from the land added to unit is combined [using the procedure in Section C above]. Refer to Examples 1 and 2 (combining).

RETAINING YIELD HISTORY FOR THE SAME LAND

To retain yield history when the basic unit or optional unit is from a valid Production and Yield Report and the same entity and land is involved:

A **Unit Renumbered Or FSA FSN Reconstituted.** Verify that the same entity and land is involved. If the same entity and land, the actual/assigned yield history is retained. Yield limitation provisions, if applicable, will apply.

B **Complete the Production and Yield Report for The Current Policy Crop Year.** Enter the yield history for all (policy) crop years in the database using current COP rules.

Example 1. **Combining Units**

The following example illustrates combining two optional unit databases into a single enterprise unit database when both databases contain actual or assigned yields.

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Previous (Policy) Year's Databases (2003)

2003 UNIT 00201 (NI NFAC)			
YEAR	PROD.	ACRES	YIELD
97			
98			N15
99			N15
00	1200	60.0	A20
01		0.0	Z
02	880	40.0	A22

2003 UNIT 00202 (NI NFAC)			
YEAR	PROD.	ACRES	YIELD
97			
98			
99			T17
00	2880	90.0	A32
01	1680	60.0	A28
02	1920	80.0	A24

Step 1: The 2003 production report indicates for the 2003 APH crop year: NI NFAC practice with 3000 bu. production, 100.0 actual acres and a 30 bu. average yield.

Step 2: Actual acres and production are combined.

Year **4080** **150.0**
00 (1200[Bu] + 2880[Bu]) ÷ (60.0[acres] + 90.0[acres]) = **27**
1680 **60.0**
01 (0[Bu] + 1680[Bu]) ÷ (0.0[acres] + 60.0[acres]) = **28**
2800 **120.0**
02 (880[Bu] + 1920[Bu]) ÷ (40.0[acres] + 80.0[acres]) = **23**

Step 3: Since 4 years of actual records are available, "T" Yields are not used in the database.

	2004 UNIT 00100 NI NFAC			
Step	YEAR	PROD.	ACRES	YIELD
Step 3				
Step 2	00	4080	150.0	A27
Step 2	01	1680	60.0	A28
Step 2	02	2800	120.0	A23
Step 1	03	3000	100.0	A30
Step 4		Total 108/ 4 =		27

Most recent crop year

<u>Example 2.</u> **Combining Units**

The following example illustrates establishing the current (policy) crop year database (2003) when two units have been combined into a single unit. For the prior crop year, unit 00101 contained actual and assigned yields. Unit 00102 was added land the prior year and contained ONLY "T" Yields of 17 bu.

Previous (Policy) Year's Databases (2003)

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2003 UNIT 00101 (NI NFAC)			
YEAR	PROD.	ACRES	YIELD
97			
98	2200	55.0	A40
99		0.0	Z19
00		40.5	P15
01	2520	60.0	A42
02	1210	50.0	A20

2003 UNIT 00102 (NI NFAC)			
YEAR	PROD.	ACRES	YIELD
97			
98			
99			L17
00			L17
01			L17
02			L17
		Total	68
		Approved Yield	68/4 = 17

For the current (policy) crop year (2003), the insured reported 120 acres and 5760 bushels of production (from both locations) on a combined production report for the most recent crop year (2002.) Acreage and productivity requirements [stated in Exhibit 18] have been met, which allows the database to be combined.

Current (Policy) Year's
Combined Database

	2003 UNIT 00100 (NI NFAC)			
Step	YEAR	PROD.	ACRES	YIELD
Step 2	97	2200	55.0	A40
Step 2	98		0.0	Z
Step 2	99		40.5	P15
Step 2	00	2520	60.0	A42
Step 2	01	1210	50.0	A20
Step 1	02	**5760**	**120.0**	**A48**
Step 4			Total	165
			Approved Yield	165/5 = 33

Appendix F: Covered Expense Worksheet (CEW)

The finalized Covered Expense Worksheet will be inserted here upon approval.

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Appendix G: Example of County Actuarial Table (SPOI)

07/10/2003 COUNTY ACTUARIAL TABLE PAGE 134

SPECIAL PROVISIONS OF INSURANCE
2004 AND SUCCEEDING CROP YEARS

ST: LOUISIANA (22) CROP: COTTON (0021)
CO: FRANKLIN (041) PLAN: COP (XX)

THE SPECIAL PROVISIONS OF INSURANCE IS THE PART OF THE POLICY THAT CONTAINS SPECIFIC PROVISIONS OF INSURANCE FOR THE INSURED CROP IN THIS COUNTY.

INSURABLE TYPES AND PRACTICES:

TYPE(S)	PRACTICE(S)
(997) No Type Specified	(002) Irrigated
(997) No Type Specified	(003) Non-Irrigated

PROGRAM DATES FOR INSURABLE TYPES AND PRACTICES:

SALES CLOSING	INITIAL PLANTING	FINAL PLANTING	ACREAGE REPORTING	BILLING DATE
TYPE(S): ALL TYPES LISTED ABOVE		PRACTICE(S): ALL PRACTICES LISTED ABOVE		
02/28/2004	4/1/2004	5/25/2004	07/15/2004	11/01/2004

GENERAL STATEMENTS

See the County Special Provisions document and the County FCI-33, CROP INSURANCE ACTURARIAL MAP, for determination of high risk or unrated areas.

TYPE STATEMENT(S):

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DATE STATEMENT(S):

CROP STATEMENT(S):

Contact your agent regarding possible premium discounts, options, and/or coverage that may be available.

Any acreage in this county with a high rate area designation on the FCI-33 CROP INSURANCE ACTUARIAL MAP/FCI-33 CROP INSURANCE ACTUARIAL SUPPLEMENT will have a rate derived from the actuarial table as shown on the "ADDITIONAL COVERAGE AND HIGH RISK RATES" table, when: 1) the approved yield is based on less than 6 years of actual production history that includes such acreage, or 2) the acreage of the insured crop in the high-risk rate area comprises more than 30% of the acreage in the unit.

The irrigated practice (002) is applicable to furrow or sprinkler irrigation methods only. Acreage that is irrigated by any other method must be reported and insured as non-irrigated practice (003) unless a written agreement to insure the acreage on an irrigated basis is requested and approved.

The total per acre of fixed costs expenses and land fees expenses may not exceed 50% of the per acre approved yield for the unit times the expected market price.

The increase in covered expenses due to replanting is $20.00 per acre.

The total variable costs expenses may not exceed $400.00 per acre. If such costs exceed the dollar amount and are less than the expected gross income a request to approve a higher amount may be made to the insurance provider.

INSURANCE AVAILABILITY STATEMENT(S):

The Federal Crop Insurance Corporation (FCIC) makes crop insurance available for all producers, regardless of race, color, national origin, religion, sex, age or handicap.

When approved, the Covered Expense Worksheet will be inserted here.

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APPENDIX H: EXAMPLE OF COUNTY ACTUARIAL TABLE (FCI-35)

07/10/2003 COUNTY ACTUARIAL TABLE PAGE 136

FCI-35 COVERAGE AND RATES
2004 AND SUCCEEDING CROP YEARS

ST: LOUISIANA (22) CROP: COTTON (0021)
CO: Franklin (041) PLAN: COP (XX)

TYPE
(997) NTS – No Type Specified

PRACTICE
Irrigated*1 – I (002)
Non-Irrigated – NI (003)

TYPE PRACTICE	(997) NTS (002) I	(997) NTS (003) NI	
COVERAGE LEVEL BASE RATES			
85%	0.0744	0.0744	
80%	0.0591	0.0591	
75%	0.0465	0.0465	
70%	0.0368	0.0368	
65%	0.0302	0.0302	
MINIMUM PRODUCER-SPECIFIC RATES			
85%	0.0207	0.0207	
80%	0.0165	0.0165	
75%	0.0130	0.0130	
70%	0.0102	0.0102	
65%	0.0084	0.0084	
ADDITIONAL COVERAGE AND HIGH RISK RATES			
(AAA) HIGH RISK AREA	0.294	0.294	
COUNTY WEIGHTED YIELD TABLE			
1993	664	664	
1994	572	572	
1995	810	810	
1996	594	594	
1997	663	663	
1998	669	669	
1999	512	512	
2000	701	701	

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TYPE PRACTICE	(997) NTS (002) I	(997) NTS (003) NI	
2001 2002	616 583	616 583	

AVERAGE COUNTY COST OF PRODUCTION			
Variable	383	383	
Fixed	56	56	
Land	76	76	

CREDIBILITY FACTORS			
YEARS IN PRODUCTION	10	10	
CUMMULATIVE ACRES	4200	4200	

TRANSITIONAL YIELDS (LBS)			
	649.0	471.0	
(AAA)	253.0	184.0	

OPTIONAL COVERAGE FACTORS			
(HF) HAIL & FIRE EXCLUSION	1.00	1.00	
(YA) YIELD ADJUSTMENT 60%	1.00	1.00	
(xx) INCREASED COVERED EXPENSES ENDORSEMENT	1.05	1.05	

PRACTICE STATEMENTS

*1 The irrigated practice (002) is applicable to furrow or sprinkler irrigation methods only. Acreage that is irrigated by any other method must be reported and insured as non-irrigated practice (003) unless a written agreement to insure the acreage on an irrigated basis is requested and approved.

GENERAL STATEMENTS

THE PREMIUM SUBSIDY FACTORS APPLY TO ALL POLICIES.

	< --------- SUBSIDIES AND FEES ---------- >				
COVERAGE LEVEL	65	70	75	80	85
COP PREMIUM SUBSIDY FACTOR	.59	.59	.55	.48	.38
ADMINISTRATIVE FEE	$30	$30	$30	$30	$30

See the County Special Provisions document and the County FCI–33, CROP INSURANCE ACTUARIAL MAPS, for determination of high risk or unrated areas.

Appendix I: COP Premium Calculation Example

Premium Calculation for Cost of Production Insurance

Blue Highlighted areas are to be filled in with county information
Yellow Highlighted areas are to be filled in with producer information

County Base Rate - - - / dollar insured
(at a 85% coverage level)

	Yield (lb/ac)			*COP*		*Margin*	
County	**County**	**Producer**	**Price**	**County**	**Producer**	**County**	**Producer**
664			$0.573	314	272		
572			0.573	314	272		
810	810	760	0.573	314	272	150	164
594	594	524	0.573	314	272	27	28
663	663	515	0.573	314	272	66	23
669	669	627	0.573	314	272	69	87
512	512	420	0.573	314	272	-20	-32
701	701	533	0.573	314	272	88	33
616	616	567	0.573	314	272	39	53
590	590	422	0.573	$314	$272	24	-30
Mean	644.38	546.06			**Average**	55.38	40.71
StDev	88.97	110.67				50.98	
CV	13.81	20.27					

Franklin Parish, Louisiana
Upland Cotton

Yield		**Percent Prem Applied to Variable**	**Rate Allocation**
Mean	644	27%	$0.0197
CV	14	37%	$0.0270
Profit Margin			
Mean	55	36%	$0.0263

Producer A ***Non Irrigated***
Upland Cotton

Yield		**Rate Allocation**
Mean	546	$0.0227
CV	20	$0.0396
Profit Margin		
Mean	41	$0.0332

Implied Producer Specific Base Rate ($IPs_{Producer\ A}$) - - - $0.096
(at a 90% coverage level)

Implied % Adjustment ($IAj\%_{Producer\ A}$)- - - - - 31%

Credibility

	Producer	**County Crictical**
Years of Experience - - - - -	8	10
Accumulated Acreage - - - - -	4000	4200

Y% - - - - 80%
A% - - - - 95%
$Cr_{Producer}$ - - - - - - 96%

Actual Adjustment ($Aj\%_{Producer}$)- - - - - - - **30%**

Actual Producer Specific Base Rate - - - **$0.095**

Producer Elected Cost Coverage

	County	**Producer**	***Allowable Coverage***	**County**	**Producer**
Variable Cost	$383	$335	APH	644	559
Fixed Cost	$56	$50	Forecasted Price	$0.573	$0.573
Land Cost	$76	$60	Expected Revenue	**$369.23**	**$320.21**

Max Cost with Fixed & Land	$76	$110	***50% Limitation***
Total Allowable with F&L Caps	$459	$445	
Total Cost Covered - - - -	**$369**	**$320**	

	Allowable Expenses	**Exp. Rev.**	
	$445	$320	
X	85%	85%	Coverage of Cost
X	$0.095	$0.095	/ dollar insured

Producer Paid Premium - - -	**$35.81**	**$25.77**	**at 85% Coverage Level**
Acreage Insured- - - - - - - -	500		
Total Producer Prem. - - -	**$17,907**	**$12,885**	
Cost of Increased Var. Exp. Option- - - - - -	**$895**	**$644**	

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Appendix J: Producer Specific Premium Calculation Process

The following procedure outlines the Cost of Production producer-specific premium calculation process.

In the following charts:

- Blue numbers indicate county numbers either pulled from the FCI-35 or calculated for the county
- Gold numbers reflect information provided by the producer
- Tan numbers reflect values calculated for the producer

1. Calculate Practice Specific Rate (for each practice)

The examples shown in this section are extracted from a separate spreadsheet model. Please refer to that spreadsheet to follow the flow of calculations. These calculations are found on the Prem Calc (Non Irr) tab.

A. Determine Producer's Implied Rate Adjustment %

i. Calculate County's and Producer's Mean Yield and Yield Coefficient of Variation

Yield (lb/ac)		
County	**County**	**Producer**
664		
572		
810	810	760
594	594	524
663	663	515
669	669	627
512	512	420
701	701	533
616	616	567
590	590	422
Mean	644.38	546.06
StDev	88.97	110.67
CV	13.81	20.27

- For both the producer and the county, calculate the average yield for the years the producer actually produced the commodity (in this case, 8 years). Use the FCI-35 to determine the county yields to use for this calculation. For the producer, use their own historical yields.
- For both the producer and the county, calculate the standard deviation of the yields over those years of production
- For both the producer and the county, calculate the coefficient of variation: CV = (standard deviation / mean) * 100

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ii. Calculate County's and Producer's Mean Profit Margin

	COP		Margin	
Price	County	Producer	County	Producer
$0.573	314	272		
0.573	314	272		
0.573	314	272	150	164
0.573	314	272	27	28
0.573	314	272	66	23
0.573	314	272	69	87
0.573	314	272	-20	-32
0.573	314	272	88	33
0.573	314	272	39	53
0.573	$314	$272	24	-30
		Average	55.38	40.71

- Using the Average County Cost of Production from the FCI-35 and the Expected Market Price (see Policy definition), calculate the county margin for each year of production. (NOTE: We can use a constant price for past performance since we are trying to determine relative performance between the county and the producer. The prices used in each year for this calculation are irrelevant as long as the same price used for both the county and producer.)

  NOTE: For this calculation, the Average County Cost of Production from the FCI-35 has been capped according to the requirements that 1) fixed and land cost cannot exceed 50% of expected revenue and 2) that total costs do not exceed expected revenue. This capped value was then multiplied by the elected coverage level.

- Perform a similar calculation using the producer's elected cost of production for each year of production and the Expected Market Price from the FCI-35.

  NOTE: For this calculation, the Producer's elected cost of production has also been capped according to the requirements that 1) fixed and land cost cannot exceed 50% of expected revenue and 2) that total costs do not exceed expected revenue. This capped value was then multiplied by the elected coverage level to obtain the COP used in calculating the profit margin for the producer.

- The profit margin is then calculated for the county and the producer for each year of the producer's production. Once the profit margin is calculated for each year the average value is calculated to identify both the county and the producer's mean profit margin.

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iii. Calculate Producer's Implied Rate Adjustment %

Yield		Percent Prem Applied to Variable	Rate Allocation	Yield		Rate Allocation
Mean	644	27%	$0.0197	Mean	546	$0.0227
CV	14	37%	$0.0270	CV	20	$0.0396
Profit Margin				**Profit Margin**		
Mean	55	36%	$0.0263	Mean	41	$0.0332
				Implied Producer Specific Base Rate ($IPs_{Producer\ A}$) - - - (at a 90% coverage level)		$0.096
				Implied % Adjustment ($IAj\%_{Producer\ A}$)- - - - -		31%

- Calculate the portion of the county base rate allocated by the three rating variables. The base rate is allocated 27% by the Yield Mean, 37% by the Yield CV, and 36% by the Profit Margin Mean

- Calculate the producer's rate for each rating variable with the following formulas:

  Producer Yield Mean Rate Allocation =
  ((County Yield Mean – Producer Yield Mean) / County Yield Mean *
  County Yield Mean Rate) +
  County Yield Mean Rate

  Producer Yield CV Rate Allocation =
  ((Producer Yield CV – County Yield CV) / County Yield CV *
  County Yield CV Rate) +
  County Yield CV Rate

  Producer Profit Margin Mean Rate Allocation =
  ((County Profit Margin Mean – Producer Profit Margin Mean) /
  County Profit Margin Mean *
  County Profit Margin Mean Rate) +
  County Profit Margin Mean Rate

- Determine the Implied Producer Specific Base Rate by summing the Producer Yield Mean Rate Allocation, the Producer Yield CV Rate Allocation, and the Producer Profit Margin Mean Rate Allocation.

- Calculate the Implied % Adjustment by subtracting the County Base Rate for the elected coverage level (from the FCI-35) from the Implied Producer Specific Base Rate and then dividing that result by the County Base Rate for the elected coverage level.

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B. Calculate Credibility Adjustment

Note: The Credibility Adjustment is an adjustment to the Implied % Adjustment just calculated

	Producer	County Crictical		
Years of Experience - - - - -	8	10	**Y% - - - -**	80%
Accumulated Acreage - - - - -	4000	4200	**A% - - - -**	95%
			Cr $_{Producer}$ - - - - - -	96%
			Actual Adjustment (Aj% $_{Producer}$)- - - - - - -	**30%**
			Actual Producer Specific Base Rate - - -	**$0.095**

i. Calculate the Producer's percentage of the critical value for Years of Experience (Y%) and Accumulated Acreage (A%). The County Critical values are available on the FCI-35

ii. Calculate the Producer's Credibility Percentage as:

Cr(Producer) = Minimum(1, SQRT((Y% + (A% * 5)) / 6) * Producer Inflation Factor

The Producer Inflation Factor represents a mechanism to accelerate the producer's credibility should their profit margins reflect better performance relative to the county. The inflation factor starts at 1 and is incremented by one for each standard deviation outside the county margin distribution the producer lies. The purpose of the inflation factor is to move producers with extreme experience to full credibility more rapidly so they will receive a rate representative of their extreme performance.

iii. Calculate the Producer's Actual Adjustment

Actual Adjustment (Aj% $_{Producer}$) = Implied % Adjustment * Cr(Producer)

C. Calculate Producer Specific Base Rate for this practice

Actual Producer Specific Base Rate = County Base Rate from FCI-35 * (1 + Actual Adjustment(Aj% $_{Producer}$))

The Actual Producer Specific Base Rate will be calculated as a dollar / dollar insured

D. Calculate Practice Specific Premium

	Allowable Expenses	
	$445	
X	85%	Coverage of Cost
X	$0.095	/ dollar insured
Producer Paid Premium - - -	**$35.81**	**at 85% Coverage Level**
Acreage Insured- - - - - - - -	500	
Total Producer Prem. - - -	**$17,907**	
Cost of Increased Var. Exp. Option- - - - - -	**$895**	

To calculate the producer's premium, multiply the producer's allowable expenses (liability) to the elected coverage level and the Actual Producer Specific Base Rate.

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2. Combine Practice Rates

The previous procedure would be performed for both irrigated and non-irrigated practices. The two practice-specific rates would then be combined to derive a single premium.

3. Compare calculated Producer Specific Base Rate to Minimum Producer Specific Rates

A Producer's specific rate cannot be less than the rate floor specified on the FCI-35. The final step would be to compute the Maximum of the final producer specific rate and the minimum rate listed on the FCI-35 for the elected coverage level.

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