



United States Department of Agriculture

Farm and Foreign Agricultural Services
Risk Management Agency

BULLETIN NO.: MGR-00-008

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

FROM: Kenneth D. Ackerman /s/ Ken Ackerman 3-2-00
Administrator

SUBJECT: Claims Advisory: Contained Water

BACKGROUND:

The Risk Management Agency (RMA) has received questions regarding 1999 crop year claims for which a cause of loss is water contained by a dam. The Basic Provisions of the Common Crop Insurance Policy stipulate that "Water contained by any governmental, public, or private dam or reservoir project" is an uninsurable cause of loss. Thus, any prevention of planting due to contained water is an uninsurable cause of loss.

In the specific case of the Red Rock Reservoir, a flood control project in Iowa, RMA has been informed that the lake elevation exceeded the normal pool level (742 ft.), reaching a high water mark of 762.6 feet on May 27, 1999, and then receding to normal pool level by August 10, 1999. Guidance has been requested regarding payment of prevented planting claims on land adjacent to the reservoir.

Under RMA procedures, if contained water floods farm land, any losses associated with this flooding are uninsurable. Loss adjusters must, in accordance with existing procedures, determine if flooding of contained water was the sole cause of prevented planting, and if so, the loss is not insurable. If contained water was not the sole cause of the prevented planting, the loss adjuster must determine if an insured peril occurred during the planting period, and if producers in the area at nearby higher elevations generally were also prevented from planting.



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

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RMA understands that some producers' losses may not be covered by prevented planting. RMA is concerned about hardship on the farmers, but must operate within the confines of the statute and the contract terms. The reinsured companies must operate in a similar manner. Flooding from contained water is not included in the calculation of rates for this land. To prevent rates from increasing, coverage must be limited to insurable losses.

ACTION:

Insurance providers are reminded that:

1. Damage caused by contained water whose elevation exceeds that of the insured acreage should be considered an uninsurable cause of loss.
2. No indemnity should be paid unless the producer demonstrates that an insured peril actually prevented planting in accordance with policy provisions. Please refer to the Loss Adjustment Manual for additional guidance in the handling of insured and uninsured causes of loss.
3. Contained water may be a factor at other dams and reservoirs. When adjusting claims on acreage bordering contained water, loss adjusters should always determine whether such water was a cause of loss.
4. As part of that determination process, loss adjusters should obtain and review:
 - A. The daily lake elevation records maintained by the authority managing the dam or reservoir; and
 - B. Official maps, survey records, or other topography records that provide a reliable indication of the elevation of the insured acreage.

DISPOSAL DATE:

This Manager's Bulletin is for the purpose of transmitting information and the expiration date is December 31, 2000.