

1 SUBSTANTIAL BENEFICIAL INTEREST (SBI), 2005 Basic Provisions (BP) Definitions and Sec. 2(b). Refer to the 2005, FCIC 18010 Crop Insurance Handbook (CIH) Ex. 32 for general instructions pertaining to entities, SBIs and reporting requirements. BP Sec. 1 and 2(b) clarifies the definition of an SBI and SBI reporting requirements. The following requirements will apply in addition to requirements currently contained in the CIH, Ex. 32 regarding entities and SBIs:

A SBI is defined as an interest held by any person of at least 10 percent interest in the insured.

- (1) The spouse of any individual policyholder will be considered to have a SBI in the applicant or insured unless the spouses can prove they are legally separated or otherwise legally separate under state law.
- (2) Any child of an individual applicant or individual policyholder will not be considered to have a SBI in the applicant or policyholder unless the child has a separate legal interest in such person.
- (3) Example 1, there are two partnerships that each have a 50 percent interest in the policyholder and each partnership is made up of two individuals, each with a 50 percent share in each applicable partnership.
 - (a) Each individual is considered to have a 25 percent interest in the policyholder/applicant, and both the partnerships and the individuals have a SBI in the policyholder/applicant.
 - (b) The spouses of the individuals, who make up the partnership, are not considered to have a SBI unless the spouse is one of the individuals that make up the partnership.
 - (c) However, if each partnership is made up of six individuals with equal interests, then each have an 8.33 percent interest $[50 / 6]$ in the policyholder and although the partnership still has a SBI in the insured/applicant, the individuals do not for the purposes of SBI reporting.
- (4) Example 2, there are 3 individuals (John, Mary and Paul) each with a 5 percent interest in the insured, and 2 partnerships (partnership A and partnership B), each with 42.5 percent interest in the insured. Partnership A is made up of two individuals (John and Mary), each with a 50 percent share of the partnership. Partnership B is made up of 25 individuals, each with a 4 percent interest in the partnership. John and Mary are each considered to have a 26.25 percent interest $[5.0 + 21.25]$ in the policyholder/applicant. Partnership A, Partnership B, John and Mary have a SBI in the policyholder/applicant.
- (5) Example 3, there are 9 individuals and 2 corporations, each with an equal share (9.11 percent) in the policyholder. Joe, one of the individuals, has 100% interest in one of the corporations. Joe is considered to have an 18.22 percent interest $[9.11 + 9.11]$ in the policyholder due to his individual interest in the insured along with his interest in the policyholder through the corporation. Joe has a SBI in the policyholder/applicant.

B Criteria contained in CIH Ex. 32 Par. 1 will remain the same except for carryover policies whose SBI information, including any additions to SBI information, must be reported by the sales closing date (SCD) instead of the acreage reporting date (ARD).

- (1) If the social security number (SSN), employer identification number (EIN), or identification number is incorrect, corrections must be provided by the ARD or the policy is void. This removes the allowance to correct identification numbers after the SCD contained in CIH Sec. 4, Par. F(1)(d).

- (2) If an eligible person with a SBI is not reported, the policy is reduced by the SBI's interest in the insured.
- (3) If an ineligible person with a SBI is not reported, the policy is void, not just reduced. No indemnity, prevented planting payment or replanting payment will be owed for any crop. If any indemnity, prevented planting, or replanting payment was made, it must be repaid.
- 4) If the insured included an ineligible person's SSN, EIN, or identification number on their application, and does not include the ineligible person's share on the acreage report, the policy will not be void and the ineligible person's share will not be insured.

C SBI Certification Statements. CIH Sec. 4, Par. C(7)(g) requires all individual entities completing an application for crop insurance to initial SBI Certification Statements 1-3. Due to the revised language of the BP, those statements are replaced by the following:

- (1) I understand that I am required to provide the Social Security Numbers (SSN) of all individuals who have a substantial beneficial interest (SBI) in the applicant as herein required. _____ (insured's initial)
- (2) I understand that if I have a spouse, he/she has a SBI in the applicant unless my spouse can show differently in accordance with procedures established by the Federal Crop Insurance Corporation. _____ (insured's initials)
- (3) I understand that if I fail to provide the SSN of any individual with a SBI in the applicant, the insured share of such crops will be reduced commensurate with the share of the individual whose SSN was not reported, if the person is eligible. If the unreported individual is ineligible, the policy will be void. _____ (insured's initials)
- (4) Individual type entity applicants must be advised that failure to report required SBI information will result in voidance of the policy, if the unreported SBI is ineligible.

2 SELECTING COVERAGE LEVELS, BP Sec. 3(b)(1). Refer to the CIH Sec. 4, Par. C(4)(a) for general instructions pertaining to selecting coverage levels. BP Sec. 3(b)(1) clarifies the exceptions to the requirement that all acreage of the insured crop within a county must be insured at the same level. To reflect changes in BP Sec. 3(b)(1), the following exception will also apply to the requirement that all acreage of a crop within a county must be insured at the same level contained in the CIH Sec. 4, Par. C(4)(a): If the applicable Crop Provisions allow the option to separately insure individual crop types or varieties. Separate administrative fees are required for each individual type or variety insured.

3 APPRAISALS FROM REPRESENTATIVE SAMPLES, BP Sec. 3(e)(4). Refer to the CIH Sec. 10, Par. D for general instructions pertaining to appraisals for Actual Production History (APH) purposes. BP Sec. 3 (e)(4) clarifies when appraisals from representative sample areas may be used for APH purposes. Appraised potential production from unharvested acres of an insured crop, after the remainder of the acreage of the crop in the field has been destroyed, put to another use, or abandoned may not be used for APH purposes unless representative samples were left in place in accordance with the policy provisions. If samples are required to determine the amount of production or value to count and the insured:

- A Leaves the samples intact and continues to** care for the crop in the sample, the amount of production to count and used for APH will be based on a reappraisal if additional damage occurs and the crop is not harvested, or the harvested production (if the samples are harvested) or appraisals from the samples at the time harvest should have occurred.
- B Does not leave the samples intact or fails to provide sufficient care** for the sample area, the amount of production will be the Insurance Provider's appraisal made prior to giving the insured consent to put the acreage to another use or no longer care for the crop.
- C Refer to individual Crop Provisions for situations that require representative samples.** For example, the Coarse Grains and Small Grains Crop Provisions require representative samples when the Insurance Provider and the insured disagree on the amount of appraised production for insured acreage that is released to be put to another use or on which the crop will no longer be cared for. In these situations Insurance Providers may give insureds consent to leave representative samples if the insured agrees to leave the samples intact in locations acceptable to the Insurance Provider and provide sufficient care for the samples.
- 4 ACCURACY OF REPORTED INFORMATION, BP Sec. 3(f).** BP Sec. 3(f) incorporates APH regulations/procedure in the BP (with some changes to prior procedures).
- A For APH crops,** each insured must file acceptable production reports, certify to the accuracy of the information reported, and have verifiable records to support the information reported that was used to calculate the approved APH yield.
- B If material information is misreported** that was used to determine the approved APH yield:
- (1) The unit structure will be corrected for the current crop year, if necessary (no change to current APH procedures); and
 - (2) The insured is also subject to misreporting as indicated in BP Sec. 6(g), unless the Insurance Provider corrects information that was the result of an error by the Insurance Provider or someone from the U.S. Department of Agriculture (USDA). If the insured:
 - (a) Under-reports (reported information results in a liability lower than the liability determined to be correct), the production guarantee or amount of insurance on the unit will be reduced or limited to an amount consistent with the reported information. If the acreage is under-reported for a unit, all the production or value to count (for revenue products) from the insurable acreage will be production/value to count for indemnities. If a claim, changes to APH databases that would increase approved APH yields must be documented and the corrected APH information reported to the Risk Management Agency (RMA) through the Data Acceptance System (DAS) for the following crop year.
 - (b) Over-reports (reported information results in a liability higher than the liability determined to be correct), the acreage report and APH yields, if applicable, will be revised for the current crop year to be consistent with the correct information. Corrections to approved APH yields made for the current crop year and associated changes to APH databases must be reported to RMA through DAS

for the current crop year. Corrections to APH yields/databases that will be made the following crop year must be reported through DAS the following crop year.

(c) Under or over-reports (misreports information used to determine the liability) by more than 10 percent (the reported liability is less than 90 percent or greater than 110 percent of the correct liability): Any indemnity, prevented planting payment and/or replant payment will be reduced in an amount proportionate to the amount misreported in excess of the tolerance. This adjustment is in addition to corrections required in Par. 4B(2)(a) and (b) in this procedure. For example:

- 1 If the liability reported was 22.5 percent more than the correct liability (over-reported), the indemnity will be reduced by 12.5 percent ($1.225 - 1.100 = .125$). The misreported indemnity factor is .875 ($1.000 - .125$).
- 2 If the liability reported was 82.0 percent of the correct liability (under-reported), the indemnity will be reduced by 8.0 percent ($.900 - .820 = .080$). The misreported indemnity factor is .920 ($1.000 - .080$).
- 3 Round calculations to three decimal places.

5 APPROVED APH YIELD REDUCTIONS, BP Sec. 3(g). BP Sec. 3(g) requires approved APH yields calculated for a practice (including transitional and certified organic acreage), type, or variety (P/T/V) of the insured crop, to be reduced for the following situations when discovered:

- Actual yield(s) that exceed the maximum yield edit level (excessive yields) have been included on production reports and the insured cannot provide evidence that there is a valid basis for increasing the maximum yield edit level;
- The approved APH yield is greater than 115 percent of the simple average of **ALL** of the insured's approved yields containing actual yields for the county/crop/P/T/V, or the applicable transitional yield (T-Yield) published on the county actuarial document, if no approved yields containing actual yields exist for comparison **and**:
 - The current year's insured acreage exceeds 400 percent of the average acreage used to determine the approved yield; or
 - The reported acres for actual yields contained in the APH database used to determine the approved APH yield for two or more crop years are each less than 10 percent of the current crop year's insurable acres.
- Different production methods are carried out for the crop year that are likely to result in a lower yield than the production method upon which the APH is based.

A General Rules. When reductions to approved APH yields are required for excessive yields, inconsistent approved APH yields if insured acreage limitations are exceeded, or if different production methods are carried out that will likely result in lower actual yields (Par. 5B-5F of this procedure) the following general rules apply:

- (1) The term, database, refers to the APH data used to calculate the average/approved APH yields for a crop by P/T/V by unit. The term database also refers to other separation of data that the CIH currently requires such as T-Yield map areas (including high-risk land), transitional and certified organic acreage, age and/or

- density (category C APH crops) or added land. Requirements for separate APH yields include CIH Sec. 6E, Sec. 7, Par. I, Sec. 9, Par. C(3), Ex. 15, and Ex. 36;
- (2) Insurance Providers must review all APH databases for excessive actual yields (maximum yield edit process, see Par. 5B and 12 of this procedure);
 - (3) Insurance Providers are not required to review all APH databases to determine whether reductions apply: for inconsistent approved APH yields when insured acreage limitations are exceeded (Par. 5C and 5D of this procedure); or, when different production methods are carried out that will likely result in lower actual yields (Par. 5F of this procedure). Such reductions must be made anytime the circumstances requiring them are discovered (e.g., when calculating approved APH yields, processing acreage reports, during APH reviews, or completing/processing claims);
 - (4) The term, actual yield, includes: actual yields identified by yield descriptors (A, AY, NA, V, VY, NV, G, GY and NG); temporary yields (J); actual/summarized yields (R, RY, NR); Prorated yields (PA, PR, PV and PG); weighted average yields when prevented planting payments are limited to 35 percent of the PP coverage and the database contains both PP acreage and planted acreage of the first insured crop (VW, GW, PW, NW, WY, NO, OY, NU, and UY). In subsequent years, simple average actual yields and applicable county T-Yields (TX) that are used to replace excessive actual yields will also be included in the average;
 - (5) The term, assigned yield, includes only the assigned yields used for failure to provide acceptable records identified by yield descriptor (P), it does not include yields assigned when PP payments are limited to 35 percent of the PP coverage and the database contains only PP acreage of the first insured crop (PP);
 - (6) Yield tolerances associated with APH field reviews (5 and 2 percent for Category B and C APH crops, respectively) contained in the CIH (Sec. 14, Par. A and Ex. 1) that indicate whether the corrections must be made for the current or following crop year do not apply. Reductions required by the BP Sec. 3(g) do not have to exceed the tolerances indicated in the CIH and must be made for the current crop year. However, for all other APH changes, the tolerances remain in effect;
 - (7) Reductions made after initial approved yields for the crop year have been mailed or otherwise made available to insureds are not reductions to approved APH yields that would qualify for a mutual consent cancellation of the affected crop's policy. New insureds may request mutual consent cancellations as indicated in CIH Sec. 5, Par. A(3) and A(5) ONLY for INITIALLY approved APH yields for the crop year that are less than 95 percent of the preliminary yield;
 - (8) Reductions are made separately by database. If separate databases have been established for optional units within a basic unit or for basic unit and/or optional units within an enterprise unit, the reductions are made separately for each database regardless of the unit structure selected for the current crop year. For example, separate databases are maintained for optional units within a basic unit, but the acreage is insured as a basic unit for the current crop year;

- (9) Reductions are made in addition to other consequences for not accurately reporting all information used to calculate approved APH yields such as correcting the unit structure, if necessary, and penalties for misreporting material information used to determine the approved yield (BP Sec. 6(g));
- (10) Reductions that are based on the applicable county T-Yield, are based upon the applicable T-Yield published in the actuarial document for the crop (P/T/V or T-Yield map area, if applicable) and county. For pecan revenue, the lowest available dollar span shown on the county actuarial document is used. If a county actuarial document has not been published for the crop or a P/T/V (insured by written agreement), the T-Yield assigned by RMA (lowest available dollar span assigned by RMA for pecan revenue) will be used; and
- (11) Cups do not apply.

B Excessive Actual Yields. The term excessive actual yield means an actual yield that exceeds the maximum yield edit level (see CIH Sec. 14 Par. B and Par. 12 of this procedure). For Category B and C APH crops, and pecan revenue (see pecan revenue procedures, R&D-04-046), Insurance Providers must edit actual yields entered on Type 15 APH records against the maximum yield edit level prior to submitting them to RMA. For Master Yields, actual yields are edited after being summarized on the Type 15 Yield Record (Master Yield Summary Form). Notwithstanding any other review requirements, Insurance Providers are required to complete APH record reviews for each crop year that excessive actual yields are reported. Supporting records for ALL databases that comprise the basic unit that contains at least one excessive actual yield must be reviewed (e.g., a basic unit consisting of three optional units, one of which contains an excessive actual yield, must have an APH record review conducted on all three optional units). If insureds:

- (1) Provide verifiable records (see BP definition of production report and CIH Sec. 10) to support excessive actual yields that are significantly different than other producers' actual yields in the county or other actual yields reported for the insured's farming operation AND the insured:
- (a) **Can** prove there is a valid basis to support the differences in the yields, Insurance Providers may request an increase to the maximum yield edit level (see Par. 12 of this procedure). If RMA increases the maximum yield edit level to the actual yield, the actual yield is used.
- (b) **Cannot** prove there is a valid basis to support the differences in the yields, the approved APH yield will be reduced by replacing excessive actual yield(s) with the:
- 1 Simple average of all actual yields (including excessive actual yields prior to being adjusted) and assigned yields for the same crop year for the same P/T/V (including transitional or certified organic acreage) and T-Yield Map area (if applicable) for the crop in the county. If the simple average of the actual yields is greater than the maximum yield edit level, limit the excessive actual yield to the maximum yield edit level. Use a applicable actual yield descriptor to identify the simple average actual yield used instead of excessive actual yields; or

- 2 The applicable county T-Yield, as indicated by Par. 5A(8) of this procedure, if the insured has no other applicable actual yields. Use a "TX" yield descriptor to identify that the applicable county T-Yield replaces the excessive actual yields.
- (2) Do not provide verifiable records to support excessive actual yields.
- (a) Carryover insureds' approved APH yields will be reduced by replacing each excessive actual yield with an assigned yield (.75 X the approved APH yield for the previous crop year, see R&D-04-046 for pecan revenue); or, if an approved APH yield was not calculated for the previous crop year, 75 percent of the applicable county T-Yield. Such assigned yields will be identified with the "P" yield descriptor (see Example 1). If an insured does not provide verifiable records to support the excessive actual yield, all records for all units except for loss records for the crop for the crop year within the county are unacceptable and assigned yields and related procedures apply. Loss records (excluding appraisals for uninsured causes of loss) must be used for APH.
- (b) New insureds' approved APH yields will be recalculated without using the actual yields. Production report(s) for such crop years for the crop for the county are not acceptable. Approved APH yields will continue to be calculated as indicated in 7CFR part 400, Subpart G, and CIH Sec. 6(C) and 7(H). Assigned yields as indicated in BP Sec. 3(e)(1) do NOT apply to new insureds that have not kept or do not provide verifiable records when requested (there is no yield for the previous crop year upon which to base the assigned yield).
- (3) Or anyone assisting them have intentionally concealed or misrepresented any material fact relating to the policy, the insured will be subject to concealment, misrepresentation, or fraud provisions of BP Sec. 27.

Example 1, Excessive Actual Yield (Without Verifiable Records)

The following example is for a carryover insured who reported an excessive yield for 2004 on the 2005 production report. The maximum yield edit level is 360 bushels for corn grain for the non-irrigated practice. The Insurance Provider requested supporting records for all optional units within the basic unit. The insured indicated that unit 00201 produced ten, 400 bu. truckloads of corn (4000 bu./10.0 acres. = 400 bu./acre.); however, optional unit 00202 (same basic unit) produced only 80 bushels per acre and loss records were available for that unit. The insured did not provide any verifiable records to support the excessive actual yield certified (the two units adjoined, had similar planting dates, soils and growing conditions). Therefore, the assigned yield procedure is applicable ($168 \times .75 = 126$) for the 2004 crop year, resulting in an approved APH of 159. The insured does not qualify for optional units, separate databases are maintained, and other units (basic and optional) with actual yields that claim records are not available require the use of assigned yields.

Original APH Database				APH Database (Reduced)							
6 CROP: 041 (corn) PRACTICE: 003 (NI) TYPE: 029 (grain) UNIT NO: 00201		7 Legal: S½Sec.12- XX-XX FSN:XX01		14 T-Yield 90 bu.		6 CROP: 041 (corn) PRACTICE: 003 (NI) TYPE: 029 (grain) UNIT NO: 00200 (.1)		7 Legal: S½Sec.12- XX-XX FSN:XX01		14 T-Yield 90 bu.	
15 Crop Year	16 Total Production	17 Acres	18 Yield	15 Crop Year	16 Total Production	17 Acres	18 Yield	15 Crop Year	16 Total Production	17 Acres	18 Yield
1999				1999				1999			
2000	380	2.0	A190	2000	380	2.0	A190	2000	380	2.0	A190
2001	4000	40.0	A100	2001	4000	40.0	A100	2001	4000	40.0	A100
2002	600	2.0	A300	2002	600	2.0	A300	2002	600	2.0	A300
2003	16000	200.0	A80	2003	16000	200.0	A80	2003	16000	200.0	A80
2004	4000	10.0	A400	2004	4000	10.0	P126	2004	4000	10.0	P126
			19 TOTAL 1070				19 TOTAL 796				19 TOTAL 796
20 (A)Preliminary Yield: 214 (by agent) (B) Prior Yield: 168		21 Approved APH Yield		20 (A)Preliminary Yield: (B) Prior Yield: 168		21 Approved APH Yield: 159 (Reduced)					

C Inconsistent Approved APH Yields. The procedure for reducing inconsistent approved APH yields when insured acreage limitations are exceeded applies to new and carryover insureds that insure Category B APH crops under standard APH procedures. It does not apply to Category B crops for which the insured elects Master Yields, to Category C APH crops or pecan revenue. Inconsistent approved APH yields are approved APH yields, calculated for databases containing at least one actual or assigned yield, that exceed 115 percent of: 1) the simple average of **ALL** of the insured's approved yields for the crop (P/T/V or T-Yield map area if applicable) whose databases contain actual/assigned yields or: 2) the applicable county T-Yield if no other applicable databases containing actual/assigned yields exist for comparison. Reductions for excessive actual yields, if applicable, must be made prior to reductions for inconsistent approved APH yields when insured acreage exceeds limitations. Inconsistent approved APH yields must be reduced if the insurable acreage for the current crop year (including applicable prevented planting acreage) compared to acreage reported for APH purposes exceeds one or both of the insured acreage limitations (see Par. 5D of this procedure) permitted by the BP.

- (1) If more than one database contains actual/assigned yields for the same P/T/V and T-Yield Map area (if applicable) for the crop in the county, determine the simple average of the approved APH yields. Round the simple average according to the crop's APH per acre rounding rules [CIH Sec. 4, Par. B(4)]; and
 - (a) Multiply the result times 1.15. Compare each individual approved APH yield to the result. Approved APH yields that exceed this result are considered inconsistent approved APH yields and will be reduced only if one or both of the insured acreage limitations are exceeded (see Par. 5D of this procedure).
 - (b) If the insured acreage limitation was also exceeded (see Par. 5D of this procedure), exclude database(s) with inconsistent approved yields that must be reduced, and then calculate the simple average of the approved yields for the remaining databases containing actual/assigned yields. Round the simple average of the approved yields according to the crop's APH yield per acre rounding rules [CIH Sec. 4, Par. B(4)]. This simple average yield is used as the

approved APH yield for databases with inconsistent approved APH yields that must be reduced.

- (2) If no other applicable databases exist for comparison, multiply the applicable county T-Yield by 1.15. If the approved APH yield exceeds the result, it is considered inconsistent and if one or both insured acreage limitations are exceeded (see Par. 5D), it is reduced to the applicable county T-Yield.
- (3) Reduced approved APH yields apply to all insured acreage (using the approved yield calculated for the database), not just the insured acreage that exceeds the limitation (e.g., the acreage limitation was 320 acres and 400 acres were reported for the current year, in this case the reduced yield applies to all 400 acres).
- (4) A yield limitation flag "10" must be used to identify reduced approved APH yields calculated when inconsistent approved yields apply and insured acreage limitations have been exceeded.

D Insured Acreage Limitations, for inconsistent yields described in Par. 5C of this procedure, are determined after acreage is reported for the current crop year by comparing the insured acreage to which the approved yield applies (database) to the average acreage reported for APH purposes and to the amount of acreage reported for individual crop years for APH purposes contained in the database (see Example 2). Acreage with excessive actual yields that have been replaced and acreage with assigned yields will be used when calculating the average acreage. Insured acreage exceeds the limitation permitted by the policy if:

- (1) The current year's insurable acreage is greater than 400 percent of the average acreage with actual/assigned yields reported for APH purposes for the database. To determine if the 400 percent acreage limitation has been exceeded:
 - (a) Sum the acres (Col. 17 of the APH form) for years that have actual/assigned yields reported,
 - (b) Divide the total (sum) acres by the number of years for which actual/assigned yields have been reported and round the result according to the crop's acreage rounding rules [CIH Sec.4, Par. B(4)] , and
 - (c) Multiply the average acreage by 4.00. If the insurable acreage for the current, crop year is greater than the result, the acreage limitation is exceeded; or,
- (2) The acres for two or more APH crop years with actual yields reported for the database are each less than 10 percent of the insurable acreage for the current crop year. Divide the acres reported for each crop year by the insured acreage for the current crop year. Round to two decimal places. If two or more crop years are less than .10 the limitation is exceeded.

Example 2, Inconsistent Approved Yields & Insured Acreage Limitations

Using the information from Example 1, Example 2 illustrates whether the reduced approved yield (159) requires any further reduction after insured acreage is reported. The insured reported 100.0 planted and 100.0 prevented planted acres of non-irrigated corn (grain) for acreage using the approved APH yield calculated from the database. The average number of acres (including the 2004 crop year) with actual/assigned yields reported is 50.8 (2.0 +

40.0 + 2.0 + 200.0 + 10.0 = 254/5). The insured acreage (200.0) does not exceed 400 percent of the average acreage; however, three individual crop years (2000, 2002, and 2004) each contain less than 10 percent of the current year's insurable acreage. The insured has 10 non-irrigated units (databases) of corn (grain) in his farming operation that contains actual/assigned yields. The simple average of the approved yields for these units is 125.5, rounded to 126 bu. per acre. The reduced approved APH yield (159) exceeds 115 percent of the simple average (126 X 1.15 = 145 bu.) and one of the insured acreage limitations was exceeded, therefore, the reduced approved APH yield must be reduced further. The simple average of the other nine approved yields (excluding the approved yield that must be reduced) is 122 bu. per acre.

APH Database (Reduced)			
6 CROP: 041 (corn) PRACTICE: 003 (NI) TYPE: 029 (grain) UNIT NO: 00200 (.1)		7 Legal: S½Sec.12-XX-XX FSN:XXXX	14 T-Yield 90 bu.
15 Crop Year	16 Total Production	17 Acres	18 Yield
1999			
2000	380	2.0	A190
2001	4000	40.0	A100
2002	600	2.0	A300
2003	16000	200.0	A80
2004	4000	10.0	P126
			19 TOTAL 796
20 (A) Preliminary Yield: (B) Prior Yield:168		21 Approved APH Yield: 159 (reduced) 122 (reduced again)	

E Added Land and added Practice/Type/Variety (P/T/V) Implications. For Category B APH crops, the provisions in BP Sec. 3(g)(1) and (2) also apply when calculating approved yields for added land, added P/T/V. To implement these provisions, instructions concerning calculation of simple average T-Yields (SA T-Yields) in CIH Ex. 36, Par. 2C are changed. Beginning with the 2005 crop year, when calculating SA T-Yields, ALL approved APH yields for the applicable P/T/V/T-Yield Map area whose databases contain actual/assigned yields for the crop for the insured's farming operation for the county must be included. SA T-Yields calculated in previous crop years WILL NOT be recalculated using this procedure. This change also allows added land (without records) that is a separate basic unit to use SA T-Yield(s). However, the change is NOT retroactive; SA T-Yields will not be calculated for basic units on land that was added in prior crop years that did not qualify for SA T-Yields at the time. However, if a request for the use of SA T-Yields was not submitted (or not submitted timely) the initial year the land was added, a request may be submitted according to procedures contained in CIH Ex. 36, Par. 3B and 8A(2). SA T-Yields may also be requested for added land basic units.

- (1) When insureds use actual yields (acreage and production records) of other persons who share in the insured crop (e.g., landlords and tenants) or the APH is transferred from another person, approved APH yields for added land/P/T/V are also subject to:
 - (a) Adjustments for excessive actual yields as indicated in Par. 5B of this procedure; and

- (b) Reductions for inconsistent approved yields when insured acreage limitations are also exceeded as indicated in Par. 5C and 5D of this procedure. Adjustments for excessive actual yields, if applicable, must be made prior to these reductions.
- (2) When land is added that uses an existing database's approved APH Yield (added to the existing unit) and the database contains at least one actual/assigned yield, adjustments and/or reductions as indicated in Par. 5B, 5C and 5D of this procedure are applicable. However, if added land, added land cropland acreage limitations still apply (see CIH Ex. 36, Par. 3D). An added land request must be submitted to the Risk Management Agency Regional Office (RMA RO) to add acreage to an existing basic or optional unit when cropland acreage limitations apply. Insurance Providers (not the RMA RO) are responsible for administering approved yield reductions when excessive actual yields are reported and/or making reductions for inconsistent approved yields when insured acreage limitations are exceeded.
- (3) When SA T-Yields are used to determine initial approved APH yields, adjustments for excessive actual yields and reductions for inconsistent approved yields when insured acreage limitations are exceeded, if applicable, must be made prior to calculating the individual approved APH yields used to calculate SA T-Yields.
- (a) An added land request must be made to the RMA RO to use a SA T-Yield if added land cropland acreage limitations apply and the acreage would otherwise be eligible for a SA T-Yield (See CIH Ex. 36, Par. 2C). Added land that qualifies for a separate optional unit or as a separate basic unit may qualify for SA T-Yields.
- (b) RMA RO productivity comparisons (CIH Ex. 36, Par. 5B) of the added land must now be made to all existing units used to calculate the SA T-Yield. Insurance Providers must supply the required documentation for such units before the RMA RO can consider the request.

Example 3, Added Land/P/T/V Implications (Category B APH Crops)

Using the previous information for Example 1 and 2, this example illustrates the impact on added land when SA T-Yields are calculated. At acreage reporting, the insured reported added land and requested a SA T-Yield. The insured reported added land with 600 acres of cropland. Therefore, RMA RO approval to use a SA T-Yield was not required. The added land unit (Sec. 1-XX-XX) could qualify as a separate optional unit; therefore, a separate database is required. A SA T-Yield of 122 bu. was calculated using the simple average of **all** ten approved yields (including approved yields from other basic units) for the non-irrigated corn grain as indicated in Example 2. The SA T-Yield is entered in the added land database and identified with the added land yield descriptor (L122). Yield indicator "A" is used to identify that a SA T-Yield is applicable on the Type 15 yield record.

APH Database (Added Land)			
6 CROP: 041 (corn) PRACTICE: 003 (NI) TYPE: 029 (grain) UNIT NO: 00200 (.3)		7 Legal: Sec.1-XX-XX FSN: XX15	14 T-Yield 90 bu.
15 Crop Year	16 Total Production	17 Acres	18 Yield
1999			
2000			
2001			L122
2002			L122
2003			L122
2004			L122
			19 TOTAL 488
20 (A) Preliminary Yield: (B) Prior Yield:		21 Approved APH Yield: 122	

F Different Production Methods. Approved APH yields will be reduced if different production method(s) are carried out for the current crop year that will likely result in lower actual yield(s) than the average of the actual yields for the production method previously reported. For example, a database for a non-irrigated practice contains actual yields from acreage that water was applied prior to planting in previous crop years. For the current crop year, water was not applied prior to planting. An insured must notify the Insurance Provider by the acreage reporting date (ARD) of changes in production methods that may result in lower actual yields than previously reported. Insureds utilizing continuous cropping (CC) yields instead of summer fallow (SF) yields according to procedures in CIH Sec. 6, Par. J(15)(h)3 are not affected by this provision, since the CC practice is a lower yielding practice than SF.

- (1) If notified by the ARD, the approved yield for the current crop year will be reduced using:
 - (a) The simple average of the approved yields for **all other** units (databases). This simple average is calculated using approved yields for production methods that are the same as carried out for the current crop year (within the same T-Yield Map area if applicable). In the previous example (Par. 5D of this procedure), the approved yield would be reduced to the simple average of all non-irrigated approved yields containing actual yields that do not contain acreage that had been watered prior to planting.
 - (b) The applicable county T-Yield if other database(s) do not exist for the same production methods carried out for the current crop year.
- (2) If not notified by the ARD, when it is discovered that a different production method has been carried out that likely results in lower actual yields than for the production method previously reported, the yield will be reduced as indicated in Par. 5F(1) of this procedure and the insured will be also be subject to the consequences for misreporting indicated in Par. 4B of this procedure (BP Sec. 6(g)).
- (3) Identify on the Type 15 yield record reduced approved yields with the yield limitation flag "11".

6 ACREAGE REPORTING

A Measurement Services for Acreage Reports, BP Sec. 6(d)(4)-(6). BP Sec. 6(d)(4)-(6) provides authorization for revisions of acreage reports when a measurement service is requested. The following replaces CIH Sec. 4, Par. F(2)(f)2 and F(2)(g). An insured may request an acreage measurement service ON OR BEFORE THE ARD. In such cases:

- (1) A copy of the Farm Service Agency (FSA) or other qualified third party form (or other documentation) that verifies acreage measurement was requested, must be furnished to the Insurance Provider on or before the final ARD.
- (2) An estimated acreage report must be filed on or before the final ARD.
- (3) The measurement, when completed, must be provided to the Insurance Provider.
- (4) The acreage report will be revised if there is a discrepancy between the estimated acreage report and the measurement.
- (5) No indemnity, prevented planting payment or replant payment will be paid until the acreage measurement has been completed and received by the Insurance Provider.
- (6) If the insured fails to provide the measurement to the Insurance Provider, or indicates the measurement will not be performed, and the estimated acreage is not correct,
 - (a) The acreage will be considered misreported and applicable penalties will apply; and
 - (b) Estimated acreage indicating that a measurement service has been requested will not be accepted for subsequent acreage reports.

B Differences in acreage measurements. Regardless of whether a measurement service is requested (e.g. difference is discovered during reconciliation process), if there is an irreconcilable difference between:

- (1) The acreage measured by FSA or a measuring service and the Insurance Provider on-farm measurement, the Insurance Provider on-farm measurement will be used; or
- (2) The acreage measured by a measuring service, other than the Insurance Provider on-farm measurement, and FSA, the FSA measurement will be used.

C If the insured files a revised acreage report based upon BP Sec. 6(d) (1),(2),(4), and (5), the initial acreage report will not be considered misreported.

7 LIMITED RESOURCE FARMER, BP Sec. 1 and 7(e)(4). Refer to the CIH Sec. 4, Par. B(2) for general instructions pertaining to waivers of administrative fees for limited resource farmers. BP Sec. 1 and 7(e)(4) modify the definition of limited resource farmer and the conditions when the administrative fee will be waived. The following will apply in addition to requirements currently contained in CIH, Sec. 4 Par. B(2):

A **A limited resource farmer** is a person with:

- (1) Direct or indirect gross farm sales not more than \$100,000 in each of the previous two years (to be increased starting in fiscal year 2004 to adjust for inflation using Prices Paid by Farmer Index as compiled by the National Agricultural Statistical Service (NASS)); and
- (2) A total household income at or below the national poverty level for a family of four, or less than 50 percent of county median household income in each of the previous two years (to be determined annually using Commerce Department Data). See http://www.nrcs.usda.gov/programs/smlfarmer_v2/help.htm for the actual dollar amount adjusted for inflation. The Limited Resource Self Determination Tool may be used to determine if an insured qualifies as a limited resource farmer.

B **In addition to the requirements** currently contained in CIH Sec. 4, Par. B(2), administrative fees may be waived for limited resource farmers who do not meet the new definition of a limited resource farmer if:

- (1) The insured was insured prior to the 2005 crop year, or for the 2005 crop year, and administrative fees were waived for one or more of those crop years because the insured qualified as a limited resource farmer under the limited resource farmer definition in effect at the time, and
- (2) The insured remains qualified as a limited resource farmer under the definition that was in effect at the time the administrative fee was waived.

C **The certification statements** contained in the Limited Resource Farmer Waiver Request to Waive Administrative Fees (CIH Ex. 8) are modified to reflect the changes to the limited resource farmer definition and administrative fee waiver requirements with the following statements. I certify that I:

- (1) Am a person with direct or indirect gross farm sales not more than \$100,000 in each of the previous two years (to be increased starting in fiscal year 2004 to adjust for inflation using Prices Paid by Farmer Index as compiled by the National Agricultural Statistical Service (NASS)); and a total household income at or below the national poverty level for a family of four, or less than 50 percent of county median household income in each of the previous two years (to be determined annually using Commerce Department Data); or
- (2) Was insured prior to the 2005 crop year, or for the 2005 crop year, and administrative fees were waived for one or more of those crop years because I qualified as a limited resource farmer under the limited resource farmer definition in effect at the time, and that I remain qualified as a limited resource farmer under the definition that was in effect at the time the administrative fee was waived.

8 REQUIREMENTS FOR INSURING LANDLORD OR TENANT'S SHARE, BP Sec. 10(a)(2).

Refer to the CIH Sec. 4, Par. C(1)(b) and Ex. 32 for general instructions pertaining to insuring landlord/tenant's share. BP Sec. 10(a)(2) clarifies when an insured may insure a landlord or tenant's share. In addition to requirements currently contained in the CIH, if a landlord or tenant's share is insured under the policy, the SSN (if landlord/tenant is an individual), or SSN or EIN (if landlord/tenant is a person other than an individual or a trust administered by the Bureau of Indian Affairs) must be reported on the application, regardless of whether the landlord or tenant holds a SBI in the policy.

9 PREVENTED PLANTING, BP Sec. 17. Refer to CIH Sec. 4, Par. D(8) for general prevented planting (PP) instructions. Clarifications, additions and some changes were made to the prevented planting provisions through BP Sec. 17.

A The eligible acres table, BP Sec. 17(e)(1), was revised by adding a provision to clarify determination of eligible acres.

(1) BP Sec. 17(e)(1)(i)(A) and 17(f)(12) clarify that prevented planting coverage is not provided for acreage on which a cause of loss is evident or has occurred at the time:

- (a) Acreage is leased (except acreage leased the previous crop year that continues to be leased for the current crop year);
- (b) Acreage is bought;
- (c) Acreage is released from a USDA Program which prohibits harvest of a crop;
- (d) The insured requests a written agreement to insure the acreage; or
- (e) Acreage is inherited, received as a gift, etc.

(2) BP Sec. 17(e)(1)(ii)(A) provides additional provisions for crops contracted with processors. If:

- (a) A processor contract specifies a minimum number of acres or amount of production, that amount is used to determine eligible PP acres.
- (b) A processor cancels a contract, does not provide a contract, or reduces contracted acreage or contracted production solely because the acreage was PP due to an insured cause of loss, the Insurance Provider may determine the number of eligible acres based on the number of acres or amount of production contracted in the county the previous crop year.

1 If the insured did not have a processor contract the previous crop year, there is not any eligible PP acreage for the processor crop.

2 The total eligible PP acreage in all counties cannot exceed the total number of acres or amount of production contracted in all counties in the previous crop year.

- (c) The crop provisions require that the price election be based on a contracted price, and a contract price is not provided for the current crop year, the price election may be based on the contract price for the previous crop year.

B BP Sec. 17(f)(1) clarified exceptions to PP acreage being considered PP acreage of a crop (type or practice) that is planted in the same field. PP acres in a field may be considered acreage of a crop (type or practice) other than which is planted in the same field if:

(1) The PP acreage consists of at least 20 acres or 20 percent of the insurable acreage in the field and the insured produced both crops (types or practices) in the same crop year within one of the four most recent crop years.

- (2) The insured was prevented from planting a first insured crop and a second crop was planted in the same field.
- (3) The insured crop planted in the field would not have been planted on the remaining PP acreage (e.g., rotation requirements would not have been met, total number of contracted acres already planted, or irrigation facilities not available for an irrigated practice).

C **BP Sec. 17(f)(3) added provisions that limited the number of acres** eligible for PP to the number of acres specified in a lease for which the insured pays either cash or share rent.

D **BP Sec. 17(f)(6) added a provision that prohibits PP payments** on acreage where pasture or other forage crops are in place during the time that planting of the insured crop generally occurs.

E **BP Sec. 17(h)(2) added a provision that prohibits PP payments** on an irrigated basis for non-irrigated PP acreage.

10 DUPLICATE POLICIES, BP Sec. 22(a). Refer to CIH Sec. 4, Par. A(7) for general instructions pertaining to duplicate policies. BP Sec. 22(a) clarifies which policy will remain in force when duplicate policies are discovered and the duplication is inadvertent. The requirements of CIH Sec. 4, Par. A(7) continue to apply with the following exception:

A **If it is discovered that duplicate policies exist**, except if specifically required by policy provisions (i.e. AGR) and both are additional coverage policies or both are CAT policies, the policy with the earliest date of application will be in force and the other policy will be void, unless both policies are with:

- (1) The same Insurance Provider and the Insurance Provider agrees otherwise. However, only one policy may remain in force; or
- (2) Different Insurance Providers and both Insurance Providers agree otherwise. However, only one policy may remain in force.

11 ENTERPRISE UNITS (EU) AND WHOLE FARM UNITS (WFU), BP Sec. 1 and 34. Refer to CIH Sec. 4, Par. D(5) for general instructions pertaining to EUs and WFUs. BP Sec. 34(a)(2)-(3) clarifies enterprise and whole farm unit structures. The requirements of CIH Sec. 4, Par. D(5) continues to apply with the following exceptions:

A **An EU is all of the insurable acreage** of the same insured crop in the county in which the insured has a share on the date coverage begins for the year. To qualify, an EU must contain all of the insurable acreage of the same insured crop in:

- One or more basic units that are located in two or more separate sections, section equivalents, FSA farm serial numbers (FSN) or units established by written agreement, with at least some planted acreage in two or more separate sections, section equivalents, FSA FSN, or two or more separate units as established by written agreement; or
- Two or more optional units established by separate sections, section equivalents, FSA FSN, or as established by written agreement, with at least two optional units containing some planted acreage.

- (1) The basic units or optional units that comprise the enterprise unit must each have insurable planted acreage of the same crop in the crop year insured.
- (2) Separate records of acreage and production for basic or optional units must be maintained, if the insured wants to change unit structure in subsequent years. However, such records are not required to qualify for an enterprise unit.
- (3) Assigned yield and related procedure will apply if production reporting provisions for the enterprise unit are not complied with.
- (4) Any discount contained in the actuarial documents will only apply to the acreage in the enterprise unit that has been planted.
- (5) A basic unit structure will be assigned if it is discovered that an insured does not qualify for an EU.

B A WFU is all insurable acreage of two or more insured crops planted in the county in which the insured has a share on the date coverage begins for each crop for the crop year.

- (1) All crops for which the WFU structure is available must be included in the WFU and reported on the acreage report.
- (2) At least two of the insured crops must each constitute at least 10 percent of the total liability of all insured crops in the whole farm unit, and all crops in the unit must be insured under the same plan of insurance and with the same Insurance Provider.
- (3) A basic unit structure will be assigned if it is discovered that an insured does not qualify for a WFU.

12 MAXIMUM YIELD EDIT REVIEWS. Refer to CIH Sec. 14, Par. B for general instructions pertaining to Maximum Yield Edit Reviews for Category B and C Crops, and pecan revenue. BP Sec. 3(g) requires yields that are excessive to be adjusted (reduced) if the insured cannot prove that there is a valid basis to support the differences in the yields, if the yield is significantly different from other yields in the county or other yields for the crop/P/T/V of the insured (Reference Par. 5B of this procedure). Both the lower level edit and the maximum level edit are set at levels significantly higher than the average yield in a county on a crop/P/T/V basis. The review requirements in CIH Sec. 14, Par. B(2)(a) for those yields exceeding the lower level yield edit level remain unchanged.

A Review requirements for actual annual and approved yields exceeding the maximum yield edit level and requirements for requests to increase the maximum yield edit level are modified as follows:

- (1) Insurance Providers are required to complete APH record reviews for each crop year that excessive actual yields are reported. Supporting records for ALL databases that comprise the basic unit that contains at least one excessive actual yield must be reviewed (e.g., a basic unit consisting of three optional units one of which contains an excessive actual yield must have an APH review conducted on all three optional units). If insureds:

- (a) Provide verifiable records (see BP definition of production report and CIH Sec. 10) to support excessive actual yields that are significantly different than other insureds' actual yields for the crop/P/T/V in the county or other actual yields reported for the insured's farming operation.
- (b) Provide a valid basis to support the differences in yields if the yield is significantly different from the other yields for the crop/P/T/V in the county or other yields for the crop/P/T/V of the insured:
 - 1 Valid basis to support differences in yields from other crop/P/T/V yields would include factors such as significantly different production capabilities of soils, or differing weather conditions.
 - 2 Valid basis to support differences in yields from other crop/P/T/V yields would not include factors such as significantly smaller acreage, or intensely farmed acreage.
- (2) If upon conclusion of an APH review, the Insurance Provider determines an insured provided verifiable hard copy records to support the yield and a valid basis to support difference between yields, the Insurance Provider may submit to RMA a request to increase the maximum yield edit level. For the request to be considered, the following must be included:
 - (a) Request for increase in the maximum yield edit level,
 - (b) Certification of the accuracy of the insured's yield by Insurance Provider,
 - (c) Copy of the Insurance Provider's underwriting review (including review of all optional units within the basic unit containing the APH database with excessive yield),
 - (d) Copy of verifiable production records and acreage verification for the excessive yield,
 - (e) Documentation of valid basis to support difference between other crop/P/T/V yields of the insured or other crop/P/T/V yields in the county, and
 - (f) Any other documentation supporting request.
 - (g) Any request received that does not contain all elements listed above will be rejected.
- (3) RMA will determine, based upon the information submitted by the Insurance Provider, whether there is a valid basis for the difference between other yields in the county and the excessive yield of the insured.
 - (a) If there is a valid basis and an increase is justified, RMA will modify the maximum yield level and notify the Insurance Provider accordingly.
 - (b) If RMA determines there is not a valid basis, the Insurance Provider will be notified the maximum yield level will not be modified and the excessive yield must be adjusted in accordance with Par. 5B(1)(b) of this procedure, BP Sec. 3(g).

- B** If the insured provides verifiable production records but cannot provide a valid basis for significant differences between yields for any yield exceeding the lower or maximum level edit and the Insurance Provider cannot determine the yield is reasonable or acceptable, the process in Par. 5B(2) of this procedure shall be used to adjust/reduce the yield.
- C** As part of the excessive yield review process, if the insured does not provide production records or the records are unacceptable or unverifiable and it is within the record retention period, assigned yields procedures will apply.

13 YIELD DESCRIPTORS, CIH Sec. 6, Par. D. To address Insurance Providers' concerns relative to BP Sec. 17, the following yield descriptors are provided to assist Insurance Providers in identifying weighted average yields to which yield substitution does not apply:

- A** NW = A weighted average yield assigned when PP payments are limited to 35% of the PP coverage and the unit/P/T/V contains both PP acreage and planted acreage of the first insured crop **and** it is less than 60 % of the T-Yield that qualifies for yield adjustment and the insured did not elect the adjustment for a specific crop year(s).
- B** WY = A weighted average yield assigned when PP payments are limited to 35% of the PP coverage and the unit/P/T/V contains both PP acreage and planted acreage of the first insured crop **and** is less than 60 % of the T-Yield but does not qualify for yield substitutions.
- C** NO = A weighted average yield assigned when PP payments are limited to 35% of the PP coverage and the unit/P/T/V contains both PP acreage and planted acreage of the first insured **certified organic** crop **and** is less than 60 % of the T-Yield that qualifies for yield adjustment and the insured did not elect the adjustment for a specific crop year(s).
- D** OY = A weighted average yield assigned when PP payments are limited to 35% of the PP coverage and the unit/P/T/V contains both PP acreage and planted acreage of the first insured **certified organic** crop **and** is less than 60 % of the T-Yield but does not qualify for yield substitutions.
- E** NU = A weighted average yield assigned when PP payments are limited to 35% of the PP coverage and the unit/P/T/V contains both PP acreage and planted acreage of the first insured **transitional** crop **and** is less than 60 % of the T-Yield that qualifies for yield adjustment and the insured did not elect the adjustment for a specific crop year(s).
- F** UY = A weighted average yield assigned when PP payments are limited to 35% of the PP coverage and the unit/P/T/V contains both PP acreage and planted acreage of the first insured **transitional** crop **and** is less than 60 % of the T-Yield but does not qualify for yield substitutions.