



United States Department of Agriculture

Farm and Foreign Agricultural Services  
Risk Management Agency

August 2, 2005

## INFORMATIONAL MEMORANDUM

TO: Reinsured Companies servicing Alabama, Florida, Georgia & South Carolina

FROM: Michael Moore *Michael R. Moore*  
Director

SUBJECT: 2006 Regional Approved Insurance Provider (AIP) Underwriting Guidelines for Category C Perennial Crops - Apples, Blueberries & Peaches

### ISSUE:

The 2006 Crop Insurance Handbook (FCIC 18010) Sections 7D(1) authorizes the Risk Management Agency Regional Offices to issue Perennial Crop Underwriting Guidelines and provide authorization to AIPs for calculating approved Actual Production History (APH) yields. Section 7F(2)(b), provides procedure and formulas designed to identify and adjust high variability perennial crop yields that indicate patterns of alternate bearing years or downward trends in productivity. Section 7F(2)(b)4, provides procedure for RMA RO Determined Yield request(s). While Sec. 7F(2)(a) and (c) thru (f) outline instances when RMA RO approved yields are required.

### ACTION:

The following 2006 crop year AIP Underwriting Guidelines are in effect for Category C Perennial Crops policies serviced in the Risk Management Agency (RMA) Valdosta Regional Office (RO).

#### 1 **General Requirements:**

When a policy triggers pre-acceptance field inspection selection criteria (tolerance guidelines) outlined in Section 7F(2) in the 2006 Crop Insurance Handbook (CIH) requiring Regional Office (RO) yield determination, the following information, for all **applicable** blocks/units by practice, type and variety (P/T/V) must be acquired:



Valdosta Regional Office • 106 South Patterson Street Suite 250 • Valdosta, GA 31601-5609

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- A Supporting documentation as outlined in Section 7F(6): Actual Production History forms, hard copy records of acreage and production, Producer's Pre-Acceptance Worksheet(s), Pre-Acceptance Perennial Crop Inspection Report and Applicable Crop Addendum Worksheet(s), and if applicable, RMA RO Determined Yield Request(s).
- B A current perennial crop inspection (five years old or less) as outlined in Section 7F(1) of the 2006 CIH.
- B(1) If the current inspection on file is more than five years old (inspections for the 2000 crop year and prior), or a current copy cannot be obtained from the ceding company, the units(s) in question must be field inspected for 2006.
- B(2) A new inspection when the insured answers “**YES**” to question 22, 23, or “**NO**” to 24 contained on the Producer's Pre-Acceptance Worksheet. The purpose of the perennial crop inspection review is to assess yield potential of the unit. High yield variability, downward trending yields or both, could also be contributing factors to a lower yield potential for the unit and should be noted as such on a new inspection report when completed.

Emphasis should be placed on items 27, 28, 29 and 36 A&B of the inspection report (Section 7, page 168 of the 2006 CIH):

When completing any field activities (i.e., field appraisals, loss adjustment, etc.) if there have been any significant changes to the orchard, vineyard, plantation or bog, since the last inspection, an updated inspection should be performed, regardless of the date of the last inspection. It is critical that company inspectors accurately assess the **current** condition of the orchard, vineyard, bog, or plantation, and evaluate the level of management for the insured unit.

## 2 Additional Perennial Crop Instructions for the 2006 Crop Year

- A **Yield limitations (CUPS) [Section 7J(5) and (6)], and Sixty percent (60%) T-Yields** [Section 13D(7)] generally do not apply to units (by P/T/V) in special cases referred to the RMA RO for yield determination, including those cases waived for company approval. Cases identified in Section 7(F)(2)(b)(2), submitted to the RMA RO as a request for Determined Yield may be eligible for Sixty percent (60%) T-Yields if qualified and elected by the insured, as determined by the RMA RO. However, all other Crop Insurance Handbook procedures apply.
- B **Determined Yield requests and RMA RO approved yields.** CIH procedures in Section 7F(2)(a) allow insureds to request a yield greater than the average APH yield with reasonable cause, 7F(2)(b) allows for request for Determined Yield, and F(2)(c) thru (f) outline cases requiring RMA RO approved yields. The request (Exhibit 34, 2006 CIH) must contain all information identified in 1 (General Requirements) and written justification from the insured for a higher yield or should not be adjusted for high variability. The request must be signed by the insured on or before the Production Reporting Date (PRD) of (01/15) and received in the RO no later than 30 days after the PRD, unless the AIP's contacts the RMA RO for extensions of deadlines. Required

production and inspection reports must then be received no later than 60 days after the PRD. The Regional Office will issue written authorization to AIPs as to the correct method of yield determination and/or insurability.

- C This memorandum does not waive requirements for units when **“RO Coverage Review”** is marked on question 37 in the Pre-Acceptance Perennial Crop Inspection Report.

### 3 Utilization of Block Production Procedure:

When block production records are used to calculate approved yields identified in CIH Section 7F(2), use the corresponding yield determination formula for **only** those blocks meeting the applicable tolerance test.

- A Standard APH procedures apply to blocks not meeting applicable tolerance tests.
- B Tree acre determination is authorized in Sec. 7D(4)(b) of the 2006 CIH for block acreage determination.

### 4 Peaches: Georgia; South Carolina

In consideration of the continuous rating actuarial structure in place for peaches in the Southeast, high yield variability applications CIH Sec. 7F(2)(b) are not required. Companies are authorized to calculate yields for peaches using standard Category C APH procedure. However, the following provisions will apply.

- A Units with more than a 10% change in acreage due to changes in tree age, tree population (density), tree variety and/or tree vigor, require an updated inspection regardless of the last inspection date.
- B Any block of trees within an orchard that is 15 years of age or older and/or exhibits a significant downward yield trend, requires an **annual inspection** for insurability.

### 5 WAIVER

- A Insurance providers are authorized to approve yields for situations outlined under CIH Section 7F(2) and this AIP Underwriting Guideline.
- B The waiver is not applicable to policy units when answering either ‘**YES**’ to question 22, 23 or ‘**NO**’ to question 24 of the Producer Pre-Acceptance Worksheet or marking the RMA RO Coverage Review on question 37 of the Pre-Acceptance Perennial Crop Inspection Report.

Any policy forwarded to the RMA Valdosta RO must include supporting documentation as outlined under item 1 of the General Requirements above. If you have any questions or if we can be of any assistance, please do not hesitate to contact our office.