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Department of
Agriculture



Federal Crop
Insurance Corporation



Risk Management
Agency



Product Development
Division

FCIC-24100 (12-2003) **2004 and Succeeding Crop Years**

CULTIVATED CLAM PILOT CROP INSURANCE UNDERWRITING GUIDE

**UNITED STATES DEPARTMENT OF AGRICULTURE
WASHINGTON, D.C. 20250**

FEDERAL CROP INSURANCE CORPORATION	NUMBER: 24100 (12-2003)
SUBJECT: CULTIVATED CLAM PILOT CROP INSURANCE UNDERWRITING GUIDE 2004 AND SUCCEEDING CROP YEARS	DATE: DECEMBER 5, 2003
	OPI: Product Development Division
	APPROVED: /S/ Tim B. Witt Deputy Administrator, Research and Development

THIS HANDBOOK CONTAINS THE OFFICIAL FCIC-APPROVED UNDERWRITING INSTRUCTIONS UNDER POLICY 2004-0116 (Rev. 9-03) FOR 2004 AND SUCCEEDING CROP YEARS. THE INSTRUCTIONS IN THIS HANDBOOK ARE EFFECTIVE UPON ISSUANCE AND ARE NOT RETROACTIVE TO ANY PREVIOUS CROP YEAR DETERMINATIONS COMPLETED PRIOR TO THE APPROVAL DATE OF THIS HANDBOOK. IN THE ABSENCE OF INDUSTRY-DEVELOPED, FCIC-APPROVED PROCEDURE FOR THIS CROP FOR 2004 AND SUCCEEDING CROP YEARS, ALL REINSURED COMPANIES WILL UTILIZE THESE STANDARDS FOR BOTH UNDERWRITING AND TRAINING.

SUMMARY OF CHANGES/CONTROL CHART

Major Changes: See changes or additions in text, which have been **redlined**. Three stars (***) identify information that has been removed.

1. Changes for December 2003 Issuance: (FCIC-24100)

- A. Rearranged sections and updated the Table of Contents and corrected all following paragraph numbering.
- B. Added additional definitions to clarify policy language.
- C. Added statement to Insurance attachment date.
- D. Added section on applying the survival factor.
- E. Added language to section 9, Basis of coverage for clarity.
- F. Reworded section 10, Acceptable record.

CULTIVATED CLAM UNDERWRITING STANDARDS HANDBOOK

SUMMARY OF CHANGES/CONTROL CHART

- G. Added additional qualifications to section 12, Insured crop.
- H. Reworded section 13, Causes of loss for clarity.
- I. Added additional qualifications to section 14, Conditions of acceptance.
- J. Added clarification language to section 14.
- K. Updated information in section 18, Clam inventory value report.
- L. Revised the FCI-602 form to reflect changes in the crop provisions.

NOTE: This is only a summary of the major changes. It is advised that you review the entire handbook carefully.

Control Chart For: 2003 Cultivated Clam Pilot Crop Insurance Underwriting Guide						
	SC Page(s)	TC Page(s)	Text Page(s)	Exhibits	Dates	Directive Number
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CULTIVATED CLAM PILOT CROP INSURANCE

UNDERWRITING GUIDE

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1. PURPOSE AND OBJECTIVE

To provide clarification and supplementary instructions for establishing cultivated clam crop insurance coverage in accordance with the Cultivated Clam Pilot Crop Insurance Provisions (2004-0116 Rev. 00-03) and the Cultivated Clam Pilot Loss Adjustment Handbook (FCIC-25800).

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If an error is found, notify us in writing at the above address. Outline the error and indicate the proposed correction. Errors may be corrected for the current crop year. Proposed changes should be submitted in writing through your proper organizational channels to the Research and Evaluation Division for consideration.

2. GENERAL RULES

In general, the FCIC 18010 Crop Insurance Handbook (CIH) applies to Cultivated Clams. Exceptions, changes, and additions are referenced in this supplement.

Cultivated Clams are a category D, Aquaculture Dollar Plan Crop (Plan Code 43). The terminology and instructions contained in the CIH Sections 1 - 4, 8, 11, and 12 that apply to the completion of forms and responsibilities of the insurance provider and the insured apply to Cultivated Clams.

3. CANCELLATION

2A Effective Date. The Cultivated Clam Pilot Crop Insurance Provisions (2004-0116 Rev. 00-03, become effective December 1, 2003.

2B Issuances Rescinded. This handbook replaces Cultivated Clam Pilot Crop Insurance Underwriting Guide dated January 2000.

4. BACKGROUND INFORMATION ON THE INSURABLE CROP

The hard-shell clam, *Mercenaria mercenaria*, belongs to the class Bivalvia, easily identifiable by two, somewhat rounded, hinged shells that make up the two halves, or valves, a protruding burrowing foot, and the purple or dark blue border found on the inside of the shell. A chestnut brown zigzag line on the outside of the shell distinguishes it. Some cultivators prefer this variant because of its faster growth rate and natural identifiability. All bivalve mollusks are filter feeders, extracting their food from the surrounding water. The quahog spends most of its life (which can last for up to 20 years) buried into the sediments of the subtidal and lower intertidal zone, with its two siphons reaching just above the surface to feed and discharge wastes. It feeds by filtering phytoplankton from water that it pulls in over its gills with one siphon and then pumps it back out through the other.

In much of the U. S., hard-shell clams are called quahogs. Still, other names are based on a quahog's commercial size. Until the clams reach a legally marketable size, they are referred to as seed. As the clams become marketable, they are referred to as the littleneck, (48mm valve length or 1.5 inches), the cherrystone, (60mm valve length or 2 inches), and the chowder, (greater than 75mm, 3 inches or more). The production of a legally marketable size quahog can take from 15 months in the warm Southern waters, to 4 years in the cooler Northern waters. A quahog's age can be determined by counting the growth rings on its shell. Quahogs grow more slowly as they age and as a result the growth rings are closer together and difficult to count accurately.

Quahogs prefer ocean water with salinity between 18 and 26 parts per thousand. This is less salty than the open ocean where the salinity is about 35 parts per thousand.

Shellfish aquaculture techniques are designed to reduce losses by protecting shellfish at early, vulnerable stages from predation and other adverse natural phenomena as long as economically feasible. Cultivated quahogs are commonly cultured using a variety of cultural techniques including bottom planting, mesh bags, or trays.

SHELLFISH CULTURE

In or On Bottom: If the substratum or ocean bottom will support or is of a consistency that allows clams to burrow, then shellfish seed can be stocked directly on the bottom. Clam seed are routinely planted at eighty per square foot, depending on the site.

Proper and frequent maintenance is essential for commercial success of a bottom culture system. Light plastic or nylon netting is commonly installed over the clams after they are planted to control predation by crabs, drills (a type of snail), or rays. Nets used to control predators are monitored and cleaned on a regular basis to eliminate entrapped predators, repair holes, and remove fouling organisms.

Near Bottom Culture: Cages and boxes of plastic mesh are used to culture clams just off the bottom. These enclosures may be purchased from commercial suppliers or built by the culturist. Shellfish seed is put in the mesh bags or plastic boxes and sometimes placed on a rack. As the seed grows, it is transferred to enclosures with increasingly larger mesh. A larger mesh provides better water flow, which delivers more food and oxygen, while removing waste.

Most prefabricated units are about five square feet, but units over 30 square feet have been used. Units can be used in the nursery phase; however, clams must be transferred to the bottom after they reach 20 millimeters in size for growout to market size.

Surface Systems: At some locations, small mesh containers have been used to float shellfish seed near the warmer, surface waters. Phytoplankton, microscopic plants that float in the water and are eaten by shellfish are more abundant in shallow waters and water flow is usually greater. Surface culture is normally used in the nursery phase of shellfish culture and is occasionally used for final growout.

TYPICAL CLAM CULTURE

Production of Seed - very small clams (3 - 5 mm) **are** obtained from hatcheries (or other sources, including natural collection) where clams are cultured from initial spawning through the larval metamorphosis to the juvenile stage. Once juveniles reach the size of 5mm, they can be marketed as "seed," although the preference is for seed greater than 8 mm, which better resist predation.

Field Planting - the seed are "planted" in net-covered boxes measuring approximately 4 feet x 8 feet x 6 inches, that are filled with "clean" sand (sand that does not contain predator species; i.e. green crabs), and are slightly elevated above the intertidal flats on legs. These boxes, known as "nursery boxes" or "cages", may contain up to 10,000 seed clams. Smaller, more manageable boxes sized 4'x 4' are being used more commonly.

Growout - the seed **is** allowed to remain in the nursery trays until a size of 10 - 15mm. However, all clams between 19 and 176 mm are considered field plant size by the industry. At this point, they are transferred to narrow, net-covered plots ("pens," or sometimes "raceways") for grow out. When the clams reach 51 – 63 mm (2 - 2.5 inches), they are harvested.

5. DEFINITIONS

(A) Terms, abbreviations, and definitions **general** (not crop-specific) to underwriting are identified in the CIH.

(B) Terms, abbreviations, and definitions **specific** to cultivated clams and this handbook, which are not defined in this section, are defined as they appear in the text.

Agent - An individual licensed by the State in which the agent does business under contract with an Insurance Provider, its managing general agent, or any other entity, to sell and service eligible crop insurance contracts.

Applicant - Any individual or legal entity applying for multiple peril crop insurance.

Amount of insurance - For each basic unit, the insured's inventory value multiplied by the coverage level percentage the insured elect's, and multiplied by the insured's share. However, for catastrophic risk protection policies, amount of insurance is the insured's inventory value multiplied by the coverage level percentage (for CAT coverage the level is limited to 50%), multiplied by the insured's share, and multiplied by 55 percent. The insured's accumulated paid indemnities during the crop year for each basic or optional unit may not exceed the insured's amount of insurance.

Basic unit value before loss - The stage value of all undamaged insurable clams, in the basic unit or, if elected, all optional units combined, immediately prior to the occurrence of any loss as determined by our appraisal. This allows the amount of insurance under the policy to be prorated among the individual units based on the actual value of the clams in the unit at the time of loss. It is also the basis for determining whether or not an indemnity is due. This value is used to ensure that you have not under-reported your clam inventory value.

Cash Lease (100 Percent Share) - Acreage rented for cash is considered a cash lease. A lease containing provisions for either a minimum payment or a crop share will be considered a cash lease.

Catastrophic Risk Protection (CAT) - The minimum level of coverage offered by RMA which meets the requirements for a person to qualify for certain other USDA program benefits. Catastrophic Risk Protection is referred to as "CAT" or "CAT coverage" in this handbook. [See Sec. 4, C(5)(c) and Sec. 4, E(1) of the CIH, FCIC-18010 for additional explanations.]

Clam - A cultivated *Mercenaria mercenaria* (quahog).

Contract - The contractual agreement between the insured and the Insurance Provider consisting of the accepted application, the Basic Provisions, the Crop Provisions, the Special Provisions, other applicable endorsements or options, the Actuarial Table for the insured crop, the Catastrophic Risk Protection Endorsement (if applicable), and the applicable regulations published in 7 CFR Chapter IV.

County - The political subdivision of a state listed in the actuarial table and designated on the accepted application ("county" includes acreage in a field that extends into the adjoining county or state if the county or state boundary is not readily discernable).

Crop share - Acreage rented for a percentage of the crop will be considered a crop share lease. A lease containing provisions for both a minimum payment (such as a specified amount of cash, bushels, pounds, etc.) and a crop share will be considered a crop share lease.

Crop year - The twelve-month period beginning December 1 and extending through November 30 of the next calendar year, designated by the **calendar** year in which insurance ends.

Crop year deductible - The deductible percentage multiplied by the sum of the inventory values within each basic unit. The crop year deductible will be increased for any increases in the inventory value on the inventory value report. The crop year deductible will be reduced by any previously incurred deductible if the insured timely reports each loss to the insurance provider.

Deductible percentage - An amount equal to 100 percent minus the percent of coverage the insured selects. The percentage is 50 percent for catastrophic risk protection coverage.

Disease - Any pathogen or group of pathogens, parasitic infestation or plague verified by an aquaculture pathologist and shown to be a primary cause to the death of the insured clams.

FCIC - The Federal Crop Insurance Corporation, a wholly owned Government Corporation administered by the Risk Management Agency within USDA.

FSA - The Farm Service Agency, an agency of the United States Department of Agriculture, or a successor agency.

Freeze - The formation of ice in the cells of the animal caused by low air temperatures.

Growing location - A lease parcel, permit or licensed area, whose boundaries are readily discernable above the water, and identified on a map that shows enough detail to distinguish seeded areas within the site.

Growout bag - A mesh bag used throughout the growing season to contain clams when placed in the appropriate growing medium and as further defined by the Special Provisions.

Harvest - Removal of marketable clams from the unit. Clams that are removed from the growing location but not of sufficient size to be marketable are not considered harvested if returned to the growing location.

Ice floe - Floating ice formed in sheets on the sea surface.

Inspection - An on-farm visit by the Insurance Provider's representative to verify any of the applicant's/insured's Pre-Acceptance inspection information, amount of reported damage, cause of loss, complete a claim for indemnity, or perform a quality control review.

Insurance provider - A company reinsured by RMA providing crop insurance coverage to producers participating in any Federal crop insurance program administered under the Federal Crop Insurance Reform Act of 1994.

Insured - The named person/entity as shown on the application accepted by the Insurance Provider. This term does not extend to any other person having a share or interest in the crop (for example, a partnership, landlord, or any other person) unless specifically indicated on the accepted application.

Insured crop - The crop defined under the Basic Provisions and the applicable Crop Provisions as shown on the application accepted by the Insurance Provider.

Inventory value - The total of the stage values from the inventory value report.

Inventory value report - The insured's report that declares the stage values of insurable clams in accordance with section 6 of the Crop Provisions.

Land - The land under a body of water suitable for planting clams and the column of water above the land if designated and controlled by state law.

Lease - A contract that grants use of land in or assigned to a county for a specified term and for a specified payment and provides the lessee with the exclusive use of the land to plant clams.

Lease parcel - A legally identifiable tract or plot of land covered by a lease, permit, or license.

License - Official or legal permission that grants use of land in or assigned to a county for a specified term and provides the licensee with the exclusive use of the land to plant clams.

Linkage requirement - The legal requirement that a producer must obtain at least CAT coverage for any crop of economic significance as a condition of receiving benefits for such crop from certain other USDA programs, unless the producer executes a waiver of any eligibility for emergency crop loss assistance in connection with the crop.

New insured - A person/entity who was not insured the previous crop year without respect to the carrier (Insurance Company) or agent. If the insured had an MPC, Income Protection, Crop Revenue Coverage, or Revenue Assurance crop insurance policy the previous crop year on the same crop/county, that person is not a new insured.

Non-contiguous - In lieu of the definition in the Basic Provisions, separately-named, high-density aquaculture lease sites or shellfish sites are considered non-contiguous, unless limited by the Special Provisions. Individual land parcels within such sites are not considered non-contiguous.

Occurrence deductible -

- (a) This deductible allows a smaller deductible than the crop year deductible to be used when:
- (1) Inventory values are less than the reported basic unit value; or
 - (2) You have elected optional units, if applicable.
- (b) The occurrence deductible is the lesser of:
- (1) The deductible percentage multiplied by the unit value before loss multiplied by the under-report factor; or
 - (2) The crop year deductible.

Permit - A document giving official or legal permission to use land in or assigned to a county for a specified term and provides the permittee with the exclusive use of the land to plant clams.

Person/Entity - An individual, partnership, association, corporation, estate, trust, or other legal entity, and wherever applicable, a state or a political subdivision or agency of a state. "Person" does not include the United States Government or any agency thereof.

Planting - The placing of seed clams into the appropriate growing medium for the practice specified.

Policy - (also see "Contract") The provisions for insuring a specific crop.

Pollution - The presence in the water of a substance that directly causes death of the clams. The substance shall not be parasitical, bacterial, fungal or viral, or any substance used by the insured for medicinal purposes. Pollution will also include any increase or decrease in the content of any normal soluble or insoluble constituent of water including mud and silt, feed residues, solid or liquid fish wastes, dissolved gases and any other substance normally present in the water of the lease parcel.

Practical to replant - In lieu of the definition of "Practical to replant" contained in section 1 of the Basic Provisions, unless limited by the Special Provisions, practical to replant is defined as our determination, after loss or damage to the insured crop, based on factors including, but not limited to the causes of loss listed in section 10 of the crop provisions, that replanting the insured crop will allow the crop to develop normally during the remainder of the crop year. Unavailability of seed clams will not be considered a valid reason for failure to replant.

Practice - Cultural methods of producing clams such as trays, mesh bags, round pens, lantern nets or bottom planting.

Replant - Unless limited by the Special Provisions, replanting means performing the cultural practices necessary to prepare for replacement of insured clams that were destroyed by an insurable cause of loss and then placing living insurable clams into mesh bags or pens, or seeding them into prepared growout beds, bottom culture, bottom trays, or floating trays on insurable acreage.

RMA - Risk Management Agency, an agency of the United States Department of Agriculture, or a successor agency.

Sales Closing Date - A date contained in the Special Provisions by which an application must be filed. The last date by which you may change your crop insurance coverage for a crop year.

Salinity - The dissolved solids (typically salts such as chloride, sodium, and potassium) in ocean water expressed as parts per thousand.

Secretary - The Secretary of the United States Department of Agriculture.

Seed clam -

- (a) For clams placed in a field nursery or a nursery bag - a clam that is a minimum of 5 millimeters, measured **at** the longest shell distance that is parallel to the hinge.
- (b) For all others - a clam which is a minimum of 10 millimeters, measured **at** the longest shell distance that is parallel to the hinge.

Separately named high-density aquaculture lease site - The submerged subdivided land under a body of water suitable for the cultivation of clams and identified and named separately by the Division of Marine Resources or similar regulatory agency.

Share - The insured's percentage of interest in the insured crop as an owner, operator, sharecropper, or tenant at the time insurance attaches. Unless the accepted application clearly indicates that insurance is requested for a partnership or joint venture, or is intended to cover the landlord's or tenant's share of the crop, insurance will cover only the share of the crop owned by the person/entity completing the application. The share will not extend to any other person having an interest in the crop except as may otherwise be specifically allowed in the Basic Policy provisions.

Shellfish harvest ban - A State or Federal order that prohibits harvesting clams for human food in areas where monitoring program data indicates that fecal material, pathogenic microorganisms, poisonous or deleterious substances, marine toxins, or radio nuclides have reached excessive concentrations.

Special Provisions - The county actuarial documents, which are part of the policy, that contains statements that clarify or amend the policy terms and conditions and also lists insurable types and practices and relevant dates that may vary by geographical area.

Stage - Clams that have attained the size or age specified for stage 1, 2, 3, or 4 as defined in the Special Provisions.

Stage value - The dollar value of the inventory of all insurable clams at each stage based on the survival factors and the prices shown in the actuarial documents for such stages, in each unit on your inventory value report, including any revision that increases the value of your insurable inventory.

Storm surge - A significant increase or decrease in water depth relative to normal tides that is caused by a strong, continuous and prolonged strong flow of onshore or offshore winds.

Survival factor - A factor shown on the actuarial documents that represents the expected percentage of clams that will normally survive. If you provide production records for three consecutive years, your records will be used in lieu of the factor contained in the actuarial document to determine the survival factor.

Tidal wave - A large water wave, wave train, or a series of waves, generated in a body of water by an impulsive disturbance that vertically displaces the water column or a destructive type of wave motion in seas and oceans, associated either with strong winds or underwater earthquakes.

Unit - The insurable acreage of the insured CROP in the COUNTY taken into consideration when determining the approved yield, production guarantee/amount of insurance, and the amount of any indemnity (loss payment). Each insured crop's unit structure is defined in the policy and/or respective endorsement.

Under-report factor - The factor that adjusts the insured's indemnity for under-reporting of inventory values. The factor is always used in determining any indemnities. The under-report factor is the lesser of: a) 1.000 or; b) the sum of all stage values reported on all the inventory value reports, minus the total of all previous losses, as adjusted by any previous under-reporting factors, divided by the basic unit value before loss.

Unit value after loss - The value of the remaining insurable clams in each basic or optional unit based on the percentage of the maximum reference price contained in the actuarial materials, immediately following the occurrence of a loss as determined by our appraisal, plus any reduction in value due to uninsured causes. This is used to determine the loss of value for each individual unit so that losses can be paid on an individual unit basis, optional or basic, as applicable.

NOTE: The survival factor is applied at the time of inventory and **not** applied a second time to the same inventory when a loss occurs. Clams that are seeded subsequent to the annual inventory report must be adjusted by the survival factor.

Unit value before loss - The stage value of undamaged insurable clams in the basic or optional unit, as applicable, immediately prior to the loss occurrence. The determined value will include the number and stages that existed on the date of the inventory value report, adjusted for changes, including but not limited to, seeded and harvested; the prices contained in the actuarial materials; and the applicable survival factors. This allows the amount of insurance under the policy to be divided among the individual units in accordance with the value of the clams in the unit at the time of loss for determining whether the insured is entitled to an indemnity for insured losses in the unit, optional or basic, as applicable.

NOTE: Clams that are seeded subsequent to the annual inventory report must be adjusted by the survival factor before they are added to the beginning inventory during the process of establishing the "Unit value before loss."

USDA - The United States Department of Agriculture.

Waiver (Administrative Fees) - A document that, when signed by limited resource farmers, exempts them from paying the administrative fee.

6. AVAILABILITY

The Cultivated Clam Pilot Crop Insurance Program is available to all persons operating a cultivated clam farming operation in the designated pilot areas that produce and market cultivated clams in accordance with the common crop insurance policy, pilot cultivated clam crop provisions, and Special Provisions of insurance.

The pilot areas include clam producers in Brevard, Dixie, Indian River, and Levy Counties, Florida; Barnstable, Bristol, Dukes, Nantucket, and Plymouth Counties, Massachusetts; Beaufort and Charleston County, South Carolina; and Accomack and Northampton Counties, Virginia.

7. IMPORTANT DATES

- A. Contract change date - August 31.
- B. Cancellation, Termination, and Sales Closing Date - November 30, preceding the crop year.
- C. Insurance ends at the earliest of:
 - (1) The date of final adjustment of a loss when the total indemnities due equal the amount of insurance; or
 - (2) November 30.

NOTE: All applicants must be eligible for crop insurance benefits and not be listed on the Ineligible Tracking System. Any producer who is ineligible; (e.g. a debtor), may become eligible by paying the debt, and applying for aquaculture crop insurance for the same crop year if the application is submitted by the November 30 sales closing date.

- D. Clam inventory reporting date and Insurance attachment date:
 - (1) On December 1 for new applications, when the application and the inventory value report are submitted by October 30;
 - (2) On the 31st day following the date of submission for new applications, when the application and the inventory value report are submitted between November 1 and 30;

- (3) On December 1 for policies continued from the prior year if the inventory value report is submitted by October 30; and
- (4) On the 31st day following the date of submission of the inventory value report for policies continued from the prior year when the inventory value report is submitted between November 1 and 30.
- (5) Note that no application or inventory value reports, except revisions, will be accepted after November 30.

E. Premium billing date - October 1. Includes:

- (1) Premium based on:
 - (a) The Clam Inventory Value Report.
 - (b) A revised Clam Inventory Value Report.
- (2) Administrative fees (If CAT policy, the administrative fee is due when the Inventory Value Report and application are submitted, not later than November 30 preceding the crop year).

8. COVERAGE LEVELS

Changes to the coverage level elections that would become effective for the current crop year are limited as follows:

- (1) For new policies, changes may not be made after the date of the application.
- (2) In subsequent years, for carryover policies, changes may not be made after November 30.

9. APPLYING SURVIVAL FACTORS

The intent for the survival factor is to recognize the normal expected survival of seed clams as they grow to a marketable size. Historical survival factor data indicate the final number for clams harvested from a known quantity of seed planted. Therefore we required that the survival factor be applied to seed (>10mm) placed in various production systems. The result is the number of clams that are expected to grow to harvest size.

The survival factor is applied to the initial reported annual inventory and when inventory revisions are accepted, and remain a constant throughout the crop year. The factor is applied only once and does not enter into any loss adjustment calculations. The adjusted inventory carries through each stage until harvest. Clams that are seeded subsequent to the annual inventory report must be adjusted by the survival factor before they are added to the beginning inventory.

10. BASIS OF COVERAGE

Insurance is offered to any applicant growing the insurable crop and meeting the requirements for acceptance under the terms of the Common Crop Insurance Policy, Cultivated Clam Pilot Crop Insurance Provisions, and Special Provisions of Insurance. The insurance provider must verify the inventory value to determine insurability, coverage and rates.

A. Clam Inventory Value Report

The insurance provider will verify the insured's inventory value report along with the application for the initial and each subsequent crop year, not later than November 30 preceding the crop year. The inventory value report:

- (1) Is used to establish premium and amount of insurance.
- (2) Must be revised yearly and include, for each basic or optional unit all growing locations, the stages of the clams and the stage values, and your share by growing location. The inventory value must also reflect the stages as shown in the Special Provisions. At our option and at any time, you may be required to provide documentation in support of any of your reports, including, but not limited to, a detailed listing of growing locations, unit values, the numbers and the sizes of clams seeded or placed for grow-out; your share, sales of clams and purchases of seed clams for the 3 previous crop years, and of your ability to properly obtain and maintain clams.
- (3) When used for catastrophic level policies only, the insured must report clam sales for the previous crop year on the clam inventory value report. The insured may be required to provide documentation to support such sales.

B. Revised Clam Inventory Value Report

- (1) May be used to revise the inventory value report to increase the reported inventory value.
- (2) If allowed for in the Special Provisions you may revise your inventory value report to increase the reported inventory value. We may inspect the inventory. Your revised inventory value report, if allowed by the Special Provisions, will be considered accepted by us and coverage will begin on any proposed increase in inventory value at the later of December 1 or 30 days after your written request is received by us unless we reject the proposed increase in your inventory value in writing.
- (3) The insurance provider will reject any requested increase if a loss occurs before the later of December 1 or within 30 days of the date the request is made.

11. ACCEPTABLE RECORDS

If farm management records are used to support production reports, they must be substantiated by records from a marketing outlet, processor, packer, first handler, etc. The unit of measure is the individual clam. For all marketable size clams, certified records may include a **dated** printout or receipt from each first handler of the crop for that crop year. A printout or receipt from a packing shed facility that complies with HACCAP (Hazard Analysis Critical Control Point) standards, processor, auction, marketing cooperative, jobber, commission merchant, sales broker, or a warehouse receipt which shows total production and date of transaction is acceptable. Cartons, crates, bushels or pounds must be converted to an individual clam count.

12. INSURED CROP

In lieu of the provisions of section 8 and section 9 of the Basic Provisions, the insured crop is all the clams in the county that:

- (1) Meet all the requirements for insurability and for which prices are provided in the actuarial documents;
- (2) Are acceptable;
- (3) That are grown by a person who in at least three of the five previous crop years:
 - (i) Grew clams for commercial sale; and
 - (ii) Participated in the management of a clam farming operation by at least exercising decision-making authority over all operational aspects of the farm;
- (4) Are grown in a county for which a premium rate is provided in the actuarial documents;
- (5) Are in a growing location acceptable to us; and
- (6) Use a practice that fixes the insurable clams to the land within the growing location.

NOTE: The type of production system used; netting, bags, trays or pens, will depend on the method used to fix the insurable clams to the ground.

Netting - Netting with a weighted line attached to the sides is placed over the top of seed that is broadcast on prepared substrate. The net is staked to the bottom with metal stakes fabricated from rebar. A weighted line is fastened to the net approximately six inches from the outer edges to provide a protective skirt that will be buried vertically in the sand when the stakes are in place. Sand bags can also be used to secure the netting in place.

Bags - Bags are constructed in a number of configurations, usually four feet square and constructed of vinyl-coated wire or high-density polyethylene mesh in various mesh diameters, depending on the size of the clam, are connected to support framing by nylon ties or monofilament to support the bags to allow water to flow from all sides but inhibit predator access.

Trays - Trays consist of material that protect clams from predation and incorporate a sediment substrate. Trays can be made to any size and from a variety of material. Trays are allowed to settle into the sediment as adequate amounts of sediments are deposited in the trays.

Pens - Pens are box-like structures, which allow water to flow from all sides but inhibit predator's access. Pens are constructed with support frames made of rebar and mesh, usually vinyl-coated wire or high-density polyethylene. The pen is placed where it is accessible during low tide and is able to accumulate natural substrate in order to stay in place.

13. INSURED CAUSES OF LOSS

In accordance with the provisions of section 12 of the Basic Provisions, insurance is provided for the death of clams caused only by the following causes of loss that occur within the insurance period unless otherwise limited by the Special Provisions:

- (1) Oxygen depletion due to vegetation, microbial activity, harmful algae bloom, or high water temperature unless otherwise limited by the Special Provisions;
- (2) Disease;
- (3) Freeze;
- (4) Hurricane;
- (5) Decrease in salinity associated with a weather event verified by National Oceanic & Atmospheric Administration (NOAA) or United States Geologic Survey (USGS) or as otherwise defined in the Special Provisions;
- (6) Tidal wave;
- (7) Storm surge that is associated with a local weather event and verified by NOAA or USGS; or
- (8) Ice floe.

14. CAUSES OF LOSS EXCLUDED

In addition to the causes of loss excluded in section 12 of the Basic Provisions, we do not insure against any loss caused by:

- (1) The insured's inability to market clams as a direct result of quarantine, shellfish harvest ban, boycott, or refusal of a buyer to accept production;
- (2) Collapse or failure of buildings or structures;
- (3) Loss of market value;
- (4) Vandalism;
- (5) Theft;
- (6) Pollution;
- (7) Predation (unless allowed by the Special Provisions); or
- (8) Dredging.
- (9) Any cause of loss that occurred prior to or after the insurance period;
- (10) Any unexplained shortages or disappearance of inventory; or
- (11) Failure of the clam to grow to a marketable size.

15. CONDITIONS OF ACCEPTANCE

- A.** An inspection **may be** required at the discretion of the insurance provider prior to the acceptance of any application for insurance of a cultivated clam crop and at certain other times. The inspection is conducted by the insurance provider to identify and verify the lease parcel, permit or licensed area, with boundaries that are discernable, and identified on a map that shows enough detail to distinguish seeded areas. The company's underwriters will review the inspection reports and determine whether to bind coverage. In case of a negative inspection report, the company will respond by choosing from the options under F of this section.
- B.** Inspection must occur in the following circumstances:
- (1) The first year for a policyholder (CAT or Additional Coverage), including a policy that is transferred from another company to determine:
 - (a) If the inventory amounts reported are appropriate for CAT policies and the limits are not exceeded as provided under Section 6 (f) of the crop provisions or Special Provisions of Insurance;

- (b) If the risk is acceptable;
 - (c) If there is existing damage; and
 - (d) Insurability requirements are met.
- (2) When a new site or location is added to the operation.
 - (3) For Catastrophic insurance coverage only: To determine that the inventory value report for all clams does exceed the lesser of the value from section 6(b) of the policy or the percentage identified on the Special Provisions of Insurance for the percent of the insured's previous year's sales of clams; and if the above restrictions cause the insured to under report the value of their inventory, the insured must present records acceptable to the insurance provider to prove their actual inventory value in order to receive a waiver of these restrictions.
 - (4) When there is an increase in value shown on the Clam Inventory Value Report of 50% or more of the previous values. Note: This is measured on a policy basis, not by practice.
- C.** Inspection may occur in the following circumstances:
- (1) To determine that the insured crop meets all the requirements for insurability and for which prices are provided in the actuarial materials.
 - (2) To determine acceptability.
 - (3) To determine that the insured crop is grown in a county for which a premium rate is provided in the actuarial documents.
 - (4) To determine if the insured crop is in a growing location acceptable to us.
 - (5) To determine that the insured uses a practice that fixes the insurable clams to the land within the growing location.
 - (6) To verify the practice carried out by the insured.
 - (7) To determine that the number of clams reportedly seeded have actually been seeded.
 - (8) To determine that the survival factors were applied correctly according to the Special Provisions of Insurance.
- D.** The inspection is required to be completed timely enough to provide the insurance provider the opportunity to reject the application or cancel the policy if necessary.
- E.** A negative inspection report will require one of the following actions.
- (1) Notify the applicant or insured in writing that if the deficiency is not corrected and a loss occurs, there are potential grounds for denying any claim based on the Cultivated Clam Pilot Crop Insurance Provisions.

- (2) Notify the applicant or insured that coverage is denied (reject or cancel the policy) on the basis of the negative inspection report and requirements of the Cultivated Clam Pilot Crop Insurance Provisions.
- (3) Review the insured's cultivated clam production and sales records.
- (4) Re-inspect the cultivated clams to determine if the causes for denying a claim or coverage have been corrected.

F. The required inspection elements and recommended company actions in case of a negative report are:

<u>INSPECTION</u>	<u>ACTION (NEGATIVE REPORT)</u>
(1) Eligibility	Deny coverage
(2) Reasonableness of reported records and values	Review cultivated clam production and sales records If still negative, deny coverage
(3) Records in support of a negative request to waive CAT Inventory Value limits.	Review producer's records. If still inadequate deny request. Provide coverage at stated policy limits.

NOTE: In all cases, the company may choose to re-inspect. If the deficiency upon which a denial was based is corrected, an applicant may reapply for coverage. This application must be completed before sales closing.

G. As a part of the inspection review for conditions listed in this section, the company will verify the liability reported is consistent with the clam inventory report. When the inventory is over or under-reported the company will request that the insured:

- (1) Provide evidence supporting the insured's reported values, or
- (2) Revise the inventory appropriately.

16. ESTABLISHING THE UNIT VALUE

Unit value before loss

The cultivated clam crop provisions define Unit Value Before Loss as the stage value of undamaged insurable clams in the basic or optional unit, as applicable, immediately prior to the loss occurrence. To establish the value of undamaged insurable clams the insurance provider must reconstruct the value before loss by determining:

- (1) The number and stages of all insurable clams on the lease sites that existed on the date of the inventory value report.

- (2) Any adjustment for changes, including but not limited to; seeding, sales, harvesting and changing in stage.
- (3) The prices contained in the actuarial materials.
- (4) The applicable survival factors applied.

Unit value after loss

This is defined as the value of remaining insurable claims in each basic or optional unit based on the percentage of the maximum reference prices contained in the actuarial documents, immediately following the occurrence of a loss as determined by our appraisal plus any reduction in value due to uninsured causes. This is used to determine the loss of value for each individual unit so that losses can be paid on an individual unit basis, optional or basic, as applicable.

17. UNIT DIVISION

- A.** A basic unit may be divided into optional units in accordance with section 2(b) of the Cultivated Clam Pilot Crop Insurance Provisions. Regardless of the existence of optional units, the basic unit value before loss will be used to establish:
 - (1) The amount of insurance.
 - (2) Crop year deductible.
 - (3) Under reporting factor.
 - (4) Premium.
 - (5) The maximum indemnity payable.
- B.** In lieu of the optional unit provisions in the Basic Provisions, if the insured elects additional levels of coverage, for an additional premium, inventory that would otherwise be a basic unit may, unless limited by the Special Provisions, be divided into optional units by non-contiguous lease parcels. Additional optional units may also be authorized in the Special Provisions.
- C. Other unit division provisions:**
 - (1) Basic units are established by share. All insurable claims in which the insured has a share is a basic unit.
 - (2) If the insured elects optional units (additional coverage only), the insured must provide separate inventory value reports for each unit and keep all records of seeding, harvest, sales and uninsured losses separately by unit.

Failure to keep separate records will result in all optional unit inventories under a basic unit being combined into a basic unit at loss time. If the insured elects optional units, their amount of insurance will be divided among optional units in relation to unit value before loss of claims in each optional unit. If, at the time of loss, the aggregate value of the claims in the insured's optional units exceeds their basic unit inventory value, the insured will be subject to the under reported factor provisions.

NOTE: Refer to the CIH, FCI-18010, Exhibit 4, FCI-553 "Unit Divisions Option", and Exhibit 6 "Worksheet for Multiple Peril Crop Insurance", for instructions on completion of Unit Division Options. **Optional units are not available for CAT.**

D. For CAT:

- (1) Basic units are based on all lease parcels combined in the county in which the insured has a 100 percent interest and separately for each lease parcel in the county in which the insured has a different share interest (see the CAT endorsement).
- (2) Optional units are not available.

18. PENALTIES FOR MISREPORTING

A. Under Report Factor (penalty for under insuring)

If the policyholder fails to report an amount of insurance equal at least to the value of the inventory at the time of any loss determination, a penalty in proportion to the amount of under insurance will be applied.

For example: The insured has a 100 percent share and the inventory value reported by the insured was \$100,000. At the time of loss, basic unit value before loss was \$125,000. $\$100,000 \div \$125,000 = .80$ under reporting factor.

B. Overstating Inventory Value

If the policyholder reports an amount of insurance that exceeds the actual value of the inventory, the insured will pay for coverage on which no indemnity can be collected. The policy will not pay any indemnity amount that exceeds the actual inventory value and premium dollars will be wasted. In addition, the crop year deductible will be overstated and will force the occurrence deductible to be applied for each loss in the case of multiple losses and the insured may not be indemnified.

19. CLAM INVENTORY VALUE REPORT

A. A Clam Inventory Value Report must be:

- (1) Signed and dated by the insured, or the insured's authorized representative.

NOTE: It is unacceptable to mark report "signature on file" or "report by telephone" or any other remark without the original insured's signature.

- (2) Submitted with the insured's application and for each subsequent crop year, not later than November 30 preceding the crop year.
- (3) If a clam inventory value report is not submitted by November 30, we may elect to determine the inventory values in effect as of November 30.

NOTE: In most cases, this will protect the interests of insureds. However, if the expiring reported inventory value is too large, for example, or if there had been a loss during the year and the insured restocked and increased the reported inventory, the insured may have purchased too much coverage and thus be subject to paying unnecessary premium and be subjected to the effects of an unnecessarily large crop year deductible. Since reported values cannot be revised downward, insureds should be advised to accurately report their planned inventory for the crop year.

B. The report will include:

- (1) All growing locations;
- (2) The insured's share;
- (3) The stage values of the clams;
- (4) Verifiable records to substantiate mortality factors if other than Special Provisions of Insurance factors are used in calculations;

SEE PREMIUM CALCULATION, SECTION 21

For CAT, the inventory value may not exceed the amount listed on the Actuarial Documents.

The limitations contained in the Actuarial Documents may cause the grower to under report an inventory which may adversely affect the insurance coverage. The grower may present acceptable records to the company that demonstrates the actual inventory value and the company underwriter may waive the limits and issue coverage for a larger amount. A copy of any of these waivers must be kept in the policyholder's files.

- (5) Previous year's clam sales (CAT only); and
- (6) The practice (e.g. bottom culture, nursery bag, growout bag).

C. The company may also request documentation including:

- (1) A detailed listing of growing areas;
- (2) A map that shows enough detail to distinguish seeded areas within the site;
- (3) Sales of clams and purchases of seed clams for the past 3 years; and
- (4) The numbers and sizes of clams seeded or placed in nursery or grow-out.

D. Clam Inventory Value Report Revisions:

- (1) This report may be revised to increase the insured inventory value due to:
 - (a) Changes in the clam growing operation (increases in the growing area and/or inventory volume);
 - (b) Replanting after damage or sales.
- (2) The Clam Inventory Value report **may be revised** after the sales closing date to increase or decrease the value **due to** clerical errors.
- (3) An upward revision after sales' closing requires that an entry will be made in the remarks section of the Inventory Value report form stating, "**correction - revised upward.**"
- (4) New inventory is subject to inspection requirements and the 30-day waiting period.

20. DEDUCTIBLES

A. Crop year deductible

The crop year deductible is equal to 1.000 minus the selected coverage level times the inventory value reported for the basic unit. The crop year deductible will be reduced by any previously incurred deductible until the deductible is met. Once the crop year deductible is met, subsequent losses are not reduced by a deductible. The crop year deductible may increase due to increases in inventory value on a revised Clam Inventory Value Report.

B. Occurrence deductible

Individual losses are determined by applying an occurrence deductible. The occurrence deductible is the lesser of:

- (1) **The deductible percentage multiplied by the unit value before loss multiplied by the under-report factor**, or

- (2) The crop year deductible.

21. PREMIUM CALCULATION

Premium is calculated by multiplying the Inventory Value by the coverage level, premium rate, and share.

22. REPLANT PAYMENTS:

Unless limited by the Special Provisions, a replanting payment is authorized for insurable clams if death of the clams was due to an insurable cause of loss.

- (1) The maximum amount of the replanting payment will be the lesser of your actual cost of replanting or the result obtained by multiplying the replanting payment amount contained in the Special Provisions by your insured share
- (2) Only one replanting payment will be made per lease parcel planted within the crop year;
- (3) You may not collect a replant payment and an indemnity for the same loss.

23. EXCLUSIONS TO CROP PROVISIONS:

WRITTEN AGREEMENTS - The written agreement provisions in the Basic Provisions do not apply.

LATE PLANTING - Provisions of section 16 of the Basic Provisions do not apply.

PREVENTED PLANTING - Provisions of section 17 of the Basic Provisions do not apply.

24. INDEMNITY EXAMPLE

Successive indemnities may be paid on the same basic unit subject to a new occurrence deductible each time. Each indemnity paid reduces the amount of insurance remaining on the basic unit. The maximum indemnity is limited to the amount of insurance for the basic unit. When the amount of indemnities paid equals the amount of insurance, no additional coverage is available for the remainder of the crop year. However, coverage can be reestablished if the cultivated clams are restocked and a revised inventory value report is approved.

The following is a simple “single unit” example of an indemnity determination. Additional examples are contained in the Cultivated Clam Pilot Crop Insurance Provisions, Section 18.

Amount of Insurance = Reported inventory value x Coverage level

Amount of Insurance = \$100,000 x .75 = \$75,000

A	Share	100%
B	Reported inventory value	\$100,000
C	Coverage level	75%
D	Amount of Insurance	$B(\$100,000) \times C(.75) = D(\$75,000)$
E	Crop Year Deductible	$B(\$100,000) \times .25(1 - C\{.75\}) = E(\$25,000)$

Values at the time of loss:

F	Unit value before loss	\$125,000
G	Unit value after loss	\$ 30,000
H	Under report factor	$B(\$100,000) \div F(\$125,000) = H(.80)$
I	Occurrence deductible	$F(\$125,000) \times .25(1 - C\{.75\}) \times H(.80) = I(\$25,000)$

Step 1 Determine the under report factor [H(.80)]

Step 2 $F(\$125,000) - G(\$30,000) = \$95,000$

Step 3 $\$95,000(\text{result of Step 2}) \times .80(\text{result of Step 1}) = \$76,000$

Step 4 $\$76,000(\text{result of Step 3}) - I(\$25,000) = \$51,000$

Step 5 $\$51,000(\text{result of Step 4}) \times A(1.000) = \$51,000 \text{ indemnity}$

The amount of insurance is reduced to \$24,000 $D(\{\$75,000\} - \$51,000)$.

25. REFERENCE MATERIAL

EXHIBIT 1 LIST OF SHELLFISH PATHOLOGISTS

Dr. Hank Stoddard
Shamrock Veterinary Clinic
Cross City, FL
352/498-5293

Dr. Mike Slayter
Florida Department of Agriculture
Animal Disease Diagnostic Lab
Kissimmee, FL
407/846-5200

Dr. Gary Rodrick
University of Florida
Aquatic Food Products Lab
Gainesville, FL
352/392-1991, ext. 310

Dr. Gene Burreson
Virginia Institute of Marine Sciences
Gloucester Point, VA
804-684-7339

Dr. Pam Parnell, DVM
Clemson Veterinarian Diagnostic Center
500 Clemson Rd.
Columbia, SC 29229
Phone 803-788-2260 ext. 244
E-mail pprnl@clemson.edu

Dr. Thomas C. Cheng
Director
Marine Research Institute
PO Box 12139
Charleston, SC 29422
Phone 843-762-0022
E-mail tcheng@awod.com

Dr. Roxanna Smolowitz, DVM
Marine Resources Center
Marine Biological Laboratory
Woods Hole, MA 02543
Phone 508-289-7400
Email: rsmol@mbi.edu

Dr. Susan Ford and Robert Barber
Haskin Shellfish Research Laboratory Rutgers University
6959 Miller Ave.
Port Norris, NJ 08349
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Email: bob@hsrl.rutgers.edu

Dr. Robert Hillman
63 Cook Road
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Dr. Bruce Barber
Department of Animal, Veterinary and Marine Sciences University of Maine
Hitchner Hall 340
Orono, ME 04469
Phone 207-581-2783
Email: bjbarber@maine.edu

Dr. Marta Gomez-Chiarri
College of Resource Development
University of Rhode Island
336 Woodward Hall
Kingston, RI 02881
Phone 401-874-2917

Dr. Inke Sunila
State of Connecticut
Bureau of Aquaculture and Agriculture
PO Box 97
Milford, CT 06460
Phone 203-874-0696
Email: dept.agric@snet.net

EXHIBIT 2

CULTIVATED CLAM PRE-ACCEPTANCE INSPECTION REPORT

NOTE: Complete an inspection report for all insurable units.

The following entries are required for the Cultivated Clam Pre-Acceptance Inspection Report in a format selected by the company. The sequence of items on the form will be determined by the format selected by the company.

This report must be completed within thirty days of the signature date on the application by the applicant and as directed by the company for applicants/insureds.

IDENTIFYING THE INSURED

- Company name
- 1 Crop year
- 2 Unit number
- 3 Site Management
- 4 Name of applicant/Insured
- 5 Address/State and County
- 6 Phone number
- 7 Name of Operator (if different than applicant)
- 8 Name of Agent/Agency and phone number
- 9 Agent phone number

GROWER INFORMATION

- 10 Enter the number of years' experience applicant has growing clams.
- 11 Has the unit been insured in prior years?
- 12 Does the insured own or operate a hatchery?

UNDERWRITING INFORMATION

Describe in detail the management practices carried out on the insured's operation.

- 13 Describe in detail the management practices carried out on the insured's operation.
- 14 Describe in detail the condition of the protective netting or growout bags.
- 15 Describe in detail the location of the unit with relation to neighboring lease, lease parcel or licensed sites.
- 16 By what date is seeding completed for the unit under normal conditions?
- 17 Determine the average planting density of clams on each unit. Refer the FCIC 25800, Section 4 for appraisal methods to determine planting density.
- 18 Obtain and attach copies of the lease, lease parcel or licensed site and survey maps with boundaries that are discernable. Attach a hand drawn map that shows enough detail to distinguish seeded areas within the sites.
- 19 Is the unit adjacent to areas that have been or will be dredged? If yes, explain in detail
- 20 Are there known soil or disease limitations associated with the site (heavy clay soils or QPX etc.)?

EXHIBIT 2

- 21 Describe in detail the area's susceptibility to storm damage?
- 22 Is the lease, lease parcel, or licensed area accessible at low tide? If not, what is the depth of the water over the lease site at low tide?

ACREAGE/INSPECTION INFORMATION

- 23 Are the areas susceptible to ice damage?
- 24 Are the areas susceptible to fresh water intrusion?
- 25 Are the areas susceptible to excessive silting?
- 26 Calculate and enter the percent of total lease, lease parcel or licensed site in use.
- 27 Will Cooperative State Research, Education and Extension Service Marine Biologists or Sea Grant personnel be available for reference on technical questions?
- 28 Does the applicant have sufficient records to substantiate the inventory value?
- 29 Is lease, lease parcel or licensed site in close proximity to recreational areas or navigation channels?
- 30 Does the applicant have leases, lease parcels or licensed sites that are not in the pilot areas?
- 31 Additional information and comments (attach additional sheets as needed)

INSPECTOR'S EVALUATION

- 32 A. The inspector's evaluation of the operation and management as to whether it is above average, average, or below average of those in the area.
B. The inspector's evaluation of the lease, lease parcel, or licensed sites as to whether they are above average, average, or below average.
- 33 Action Recommended by inspector to Accept or Reject the operation for insurance, and explanation if rejection is recommended.

SIGNATURES

Inspector signs and dates on the date of inspection.

Company supervisor signs and dates on the date received and evaluated.

- 34 Inspector/Date/Phone Number
- 35 Supervisor/Date/Phone Number

* **NOTE:** Inspectors are encouraged to solicit advice from Cooperative State Research, Education and Extension Service, Marine Extension Agents and Biologist, Shellfish Pathologists, National Marine Fisheries Service, Sea Grant Aquaculture Specialists, or other aquatic specialists knowledgeable in Clam Culture on matters they are unfamiliar with.

** **NOTE:** The **CULTIVATED CLAM PRE-ACCEPTANCE INSPECTION REPORT** will be considered a "DRAFT" document until it is assigned an OMB (Office of Management and Budget) form number.

EXHIBIT 2

FCI-12-P CLAM

OMB No. 0563-

(11-03)

U. S. DEPARTMENT OF AGRICULTURE
Federal Crop Insurance Corporation

**CULTIVATED CLAM PRE-ACCEPTANCE
INSPECTION REPORT**

COMPANY		1. Crop Year	2. Unit	3. Is lease site managed by applicant? If "NO" who manages it?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
4. Name of Applicant/Insured				6. Applicant/Insured's Telephone Number Area Code		
5. Address/State/County				()		
				7. Name of Operator (if different than applicant)		

8. Name of Agent/Agency:

9. Agent/Agency Telephone Number: Area Code ()

GROWER INFORMATION

10. Enter number of years experience applicant has growing clams. Years

11. Has this unit been insured in prior years? Yes No
If yes, years insured and prior contract number(s)?

12. Does the insured own or operate a hatchery? Yes No

UNDERWRITING INFORMATION

13. Describe in detail the management practices carried out on the insured's operation.

14. Describe in detail the condition of the protective netting or growout bags.

15. Describe in detail the location of the unit with relation to neighboring lease, lease parcel or licensed sites.

16. What date is seeding completed for the unit under normal conditions?

17. Determine the average planting density of clams on each unit.

18. Obtain and attach copies of the lease, lease parcel or licensed site and survey maps with boundaries that are discernable. Attach a hand drawn map that shows enough detail to distinguish seeded areas within the sites.

19. Is the unit adjacent to areas that have been or will be dredged? If yes, explain in detail.

20. Are there known soil or disease limitations associated with the site (heavy clay soils or QPX etc.)?

21. Describe in detail the areas' susceptibility to storm damage?

22. Is the lease, lease parcel or licensed area accessible at low tide? If not, what is the depth of the water over the lease site at low tide?

EXHIBIT 2

(FCI-12-P CLAM) (Reverse)

ACREAGE/INSPECTION INFORMATION

23. Are the areas susceptible to ice damage?	<input type="checkbox"/>	Yes	<input type="checkbox"/>	No
24. Are the areas susceptible to fresh water intrusion?	<input type="checkbox"/>	Yes	<input type="checkbox"/>	No
25. Are the areas susceptible to excessive silting?	<input type="checkbox"/>	Yes	<input type="checkbox"/>	No

26. Percent of total lease, lease parcel or licensed site in use -

	Less Than 50%	50 - 60%	61 - 70%	71 - 80%	81 - 90%	91 - 100%
(1)						
(2)						
(3)						

27. Are Cooperative State Research, Education and Extension Service Marine Biologists or Sea Grant personnel available for reference on technical questions?

28. Does the applicant have sufficient records to substantiate the inventory value?

29. Is lease, lease parcel or licensed site in close proximity to recreational areas or navigation channels?

30. Does the applicant have lease, lease parcel or licensed sites that are not in the pilot areas?

31. Additional information and comments (attach additional sheets as needed)

INSPECTORS EVALUATION

32. A. Your evaluation of the management of this operation: Above Average Average Below Average

B. Your evaluation of the lease, lease parcel, or licensed sites Above Average Average Below Average

33. Action Recommended: Acceptance Rejection

If rejection explain why:

SIGNATURES

34. Inspector	Date	Phone Number and Contact Point
35. Supervisor	Date	Phone Number and Contact Point

COLLECTION OF INFORMATION AND DATA (PRIVACY ACT)

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

Collection of the social security account number (SSN) or the employer identification number (EIN) is authorized by section 506 of the Federal Crop Insurance Act (7 U.S.C. 1506), and is required as a condition of eligibility for participation in the Federal crop insurance program. The primary use of the SSN or EIN is to correctly identify you, and any other person with an interest in you or your entity of 10 percent or more, as a policyholder within the systems maintained by the Federal Crop Insurance Corporation (FCIC). Furnishing the SSN or EIN is voluntary; however, failure to furnish that number will result in denial of program participation and benefits.

The balance of the information requested is necessary for the insurance company and FCIC to process this form to: provide insurance; provide reinsurance; determine eligibility; determine the correct parties to the agreement; determine and collect premiums or other monetary amounts (including administrative fees and over payments); and pay benefits. The information furnished on this form will be used by Federal agencies, FCIC employees, insurance companies, and contractors who require such information in the performance of their duties. The information may be furnished to: FCIC contract agencies, employees and loss adjusters; reinsured companies; other agencies within the United States Department of Agriculture; The Department of Treasury including the Internal Revenue Service; the Department of Justice, or other Federal or State law enforcement agencies; credit reporting agencies and collection agencies; other Federal agencies as requested in computer matching programs; and in response to judicial orders in the course of litigation. The information may also be furnished to congressional representatives and senators making inquiries on your behalf. Furnishing the information required by this form is voluntary; however, failure to report the correct and complete information requested may result in rejection of this form; rejection of any claim for indemnity, replanting payment, or other benefit; ineligibility for insurance; and a unilateral determination of any monetary amounts due.

PAPERWORK REDUCTION ACT

In accordance with the Paperwork Reduction Act, public reporting burden for the collection of information is estimated to average 30 minutes per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate, or any other aspect of this collection information, including suggestions for reducing this burden to the Department of Agriculture, Clearance Officer, OIRM (OMB No. 0563-0053), Stop 7630, Washington, D.C. 20250-7630.

NONDISCRIMINATION STATEMENT

The U.S. Department of Agriculture (USDA) prohibits discrimination in all its programs and activities on the basis of race, color, national origin, gender, religion, stage, disability, political beliefs, sexual orientation, and marital or family status. (Not all prohibited bases apply to all programs.) Persons with disabilities who require alternative means for communication of program information (Braille, large print, audiotape, etc.) should contact USDA's TARGET Center at (202) 720-2600 (voice and TDD).

To file a complaint of discrimination, write USDA, Director, Office of Civil Rights, Room 326-W, Whitten Building, 1400 Independence Avenue, SW, Washington, D.C. 20250-9410 or call (202) 720-5964 (voice or TDD). USDA is an equal opportunity provider and employer.

EXHIBIT 3

CLAM INVENTORY VALUE REPORT

The following entries are required for the clam inventory value report in the format selected by the company. The sequence of the items on the form will be determined by the format selected by the company.

This report must be completed at the time of application for new insured's.

See Section 7 for important dates.

This report may be revised any time during the crop year for clerical errors.

This report will include all locations with boundaries that are discernable, and identified on a map that shows enough detail to distinguish seeded areas within the site.

This report may be used to add values of the inventory that has been replaced after a loss or which were not included in the original report.

IDENTIFICATION

Company name

Insured's name

Street address

City, State, Zip Code

If revised report check block (**NOTE:** cannot revise downward unless clerical error.)

Contract number

Crop year

Unit number

Date

INVENTORY INFORMATION

STAGE 1 (Fill out only if allowed by the Special Provisions)

Practice

Lease, Lease parcel, or Licensed Site I.D.

Date seeded

Seed size

Number seeded

Survival factor from Actuarial Documents unless producer provides records with a higher survival factor.

Price (from Actuarial Documents) (Price is Reference Maximum Price multiplied by the price factor for the applicable stage). (For CAT policies the price per clam is calculated by multiplying the maximum dollar amount per clam by the price factor for the applicable stage and then by .55.)

Stage 1 Inventory value

TOTALS: Multiply total number of stage 1 clams seeded by survival factor by price to arrive at stage 1 Inventory Value.

EXHIBIT 3

STAGE 2

Practice

Lease, Lease parcel, or Licensed Site I.D.

Date seeded

Seed size

Number seeded

Survival factor from Actuarial Documents unless producer provides records with a higher survival factor.

Price (from Actuarial Documents) (Price is Reference Maximum Price multiplied by the price factor for the applicable stage). (For CAT policies the price per clam is calculated by multiplying the maximum dollar amount per clam by the price factor for the applicable stage and then by .55.)

Stage 2 Inventory value

TOTALS: Multiply total number of stage 2 clams seeded by price to arrive at stage 2 Inventory Value

STAGE 3

Practice

Lease, Lease parcel, or Licensed Site I.D.

Date seeded

Seed size

Number seeded

Survival factor from Actuarial Documents unless producer provides records with a higher survival factor.

Price (from Actuarial Documents) (Price is Reference Maximum Price multiplied by the price factor for the applicable stage). (For CAT policies the price per clam is calculated by multiplying the maximum dollar amount per clam by the price factor for the applicable stage and then by .55.)

Stage 3 Inventory value

TOTALS: Multiply total number of stage 3 clams seeded by price to arrive at stage 3 Inventory Value

STAGE 4

Practice

Lease, Lease parcel, or Licensed Site I.D.

Date seeded

Seed size

Number seeded

Survival factor from Actuarial Documents unless producer provides records with a higher survival factor.

Price (from Actuarial Documents) (Price is Reference Maximum Price multiplied by the price factor for the applicable stage). (For CAT policies the price per clam is calculated by multiplying the maximum dollar amount per clam by the price factor for the applicable stage and then by .55.)

Stage 4 Inventory value

TOTALS: Multiply total number of stage 4 clams seeded by price to arrive at stage 4 Inventory Value

CALCULATION FOR AMOUNT OF INSURANCE

Enter Total of Stage 1 Inventory Value plus Total of Stage 2 Inventory Value plus Total of Stage 3 Inventory Value plus Total of Stage 4 Inventory Value multiplied by Insured's Share times Coverage Level Selected by Insured to arrive at Amount of Insurance.

Previous year's sales (CAT ONLY): Report for each basic unit, by practice, the sales for the prior year.

All clams on the unit including any clams owned or subleased by other individuals or entities must be reported. Enter the name of the individual or entity and the number of clams by stage, owned or subleased by anyone other than the insured.

UNDERSTANDING BY INSURED

Assure that the inventory values reported are based on the Clam Inventory Value Report. Understand that over reporting of inventory will cause the premium to be overpaid.

Understand that under reporting will result in a factor being applied to the indemnity reducing the amount by the percentage under insured.

Understand that only cultivated clams identified on the crop provisions and Special Provisions are eligible for coverage.

Insured's signature - The insured must sign the clam inventory value report and date the form. It is not acceptable to mark report "signature on file" or "report by telephone" or any other remark without the original signature.

Representative's signature - The insurance provider's representative must sign and date the Clam Inventory Value Report.

* **NOTE:** The **CLAM INVENTORY VALUE REPORT** will be considered a "DRAFT" document until it is assigned an OMB (Office of Management and Budget) form number.

EXHIBIT 3

FCI-602 (10-03)	U.S. DEPARTMENT OF AGRICULTURE Federal Crop Insurance Corporation CLAM INVENTORY VALUE REPORT	OMB No. 0563-
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COMPANY NAME: _____ Insured's Name: _____ Street Address: _____ City, State, Zip: _____	IF REVISED REPORT CHECK HERE <input style="width:50px; height:30px;" type="checkbox"/>	Contract Number _____ Crop Year _____	Unit Number _____ Date _____
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Practice: STAGE 1							Practice: STAGE 2						
Lease, Parcel, Licensed Site I.D.	Date Seeded	Seed Size	Number Seeded	Survival Factor	Price	Stage 1 Inventory Value	Lease, Parcel, Licensed Site I.D.	Date Seeded	Seed Size	Number Seeded	Survival Factor	Price	Stage 2 Inventory Value
			x	x		=				x	x		=

STAGE 1 INVENTORY TOTAL	STAGE 2 INVENTORY TOTAL
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Practice: STAGE 3							Practice: STAGE 4						
Lease, Parcel, Licensed Site I.D.	Date Seeded	Seed Size	Number Seeded	Survival Factor	Price	Stage 3 Inventory Value	Lease, Parcel, Licensed Site I.D.	Date Seeded	Seed Size	Number Seeded	Survival Factor	Price	Stage 4 Inventory Value
			x	x		=				x	x		=

STAGE 3 INVENTORY TOTAL	STAGE 4 INVENTORY TOTAL
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Stage 1 Inventory Value	Stage 2 Inventory Value	Stage 3 Inventory Value	Stage 4 Inventory Value	Total Inventory Value	Share	Coverage Level	Amount of Insurance
+	+	+	=	x	x	=	

(CAT ONLY) PREVIOUS YEARS SALES	(Enter the name of the individual or entity and the number of clams by stage)
	(Enter the name of the individual or entity and the number of clams by stage)

I submit this report pursuant to the requirements of the Cultivated Clam Crop Insurance Provisions and certify to the best of my knowledge that it is correct.
 I understand and agree that:

Only clams identified in the Cultivated Clam Crop Provisions Special Provisions of Insurance are insurable, providing all applicable requirements are satisfied. Indemnities will be based on the Inventory Value Report. Over reporting my inventory value for insurance purposes will cause me to overpay premium and will increase my crop year deductible. I cannot reduce my premium or crop year deductible by revising my Inventory Value Report downward for any reason except to correct clerical errors. If I under report my inventory value any indemnity will be prorated by an under report factor.

I have read and understand the terms of the Cultivated Clam Pilot Crop Insurance Provisions. My questions have been answered by my agent to my satisfaction. The information I have furnished on this form is complete and accurate. I understand that any false or inaccurate information may result in the sanctions outlined in my policy and administrative, civil, and criminal sanctions under 18 U.S.C. §§ 1006 and 1014, 7 U.S.C. § 1506, 31 U.S.C §§ 3729 and 3730 and other federal statutes.

Insured's Signature _____	Date _____	Representative's Signature _____	Date _____
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