

United States
Department of
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Risk
Management
Agency



Product
Development
Division

FCIC 24090 (11-2000)

2001 NURSERY CROP INSURANCE UNDERWRITING GUIDE

**2001 and Succeeding Insurance Years
Underwriting Guide for Catastrophic (CAT), and Additional
Coverage Nursery Crop Insurance Contracts**

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

FEDERAL CROP INSURANCE HANDBOOK		NUMBER: FCIC-24090 (11-2000)
SUBJECT: 2001 NURSERY CROP INSURANCE UNDERWRITING GUIDE	DATE: NOVEMBER 8, 2000	
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THIS HANDBOOK CONTAINS THE OFFICIAL FCIC-APPROVED UNDERWRITING INSTRUCTIONS UNDER POLICY 99-073 FOR 2001 AND SUCCEEDING CROP YEARS. THE INSTRUCTIONS IN THIS HANDBOOK ARE EFFECTIVE UPON ISSUANCE AND ARE NOT RETROACTIVE TO ANY 2001 CROP YEAR DETERMINATIONS COMPLETED PRIOR TO THE APPROVAL DATE OF THIS HANDBOOK.

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 NOVEMBER 2000 Issuance: (FCIC-24090)

- A. Updated the Table of Contents.
- B. Removed section 3 "Conversion to the 99-073 Nursery Crop Provisions". Corrected all following paragraph numbering.
- C. Corrected all entries of Regional Service Office (RSO) to the new name of Regional Office (RO).
- D. Replaced Plant Price Schedule, with Eligible Plant List and Plant Price Schedule or the abbreviation, EPL/PPS.
- E. Updated the minimum and maximum size plant chart to include the increased insurable sizes. Moved the chart from paragraph 8 to Exhibit 4.
- F. Updated the FCIC container sizes chart to include the increased insurable sizes. Moved the chart to Exhibit 5.

DISTRIBUTION RMA Deputy Administrators, Directors, Washington D.C. and Kansas City; RMA Regional Service and Risk Compliance Offices; National Appeals Division (NAD); Reinsured Companies, and National Crop Insurance Services (NCIS).

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SUMMARY OF CHANGES/CONTROL CHART (Continued)

- G. Add minimum catalog requirements to section 6B.
- H. Changed 7C(1) for easier reading.
- I. Added statement to 8A.
- J. Reworded 9B(2)(4) not to require mandatory pre-acceptance inspections on second and following crop year CAT waivers, if figures remain unchanged from the original waiver inspection.
- K. Added statements to 9D(2) for clarity.
- L. Added statements to 9E(4)(c) for clarity.
- M. Added 9F(3) statement on how to handle plants with deferred damage.
- N.. Added statements to 12A(2) for clarity.
- O. Added statements to 12B(3)(c)NOTE for clarity.
- P. Added a note to 12D on the amount of premium due on a revised PIVR.
- Q. Added statements to 12D(1)(a),(d),(e), and (f) for clarity.
- R. Added statements to 12D(3)(b), (c) for clarity.
- S. Added statement to 12D(6) for clarity.
- T. Added statement to 13 NOTE for clarity.

Control Chart For: 2001 Nursery Crop Insurance Underwriting Guide						
	SC Page(s)	TC Page(s)	Text Page(s)	Exhibits	Date	Directive Number
Current Index	1-2	1-2	1-18	19-32	11-2000	FCIC-24090

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COVERAGE UNDER NURSERY CROP PROVISIONS (99-073)

1 PURPOSE AND OBJECTIVE

To provide instructions for underwriting nursery crops under policy 99-073 and to assure uniform acceptance of nursery risks meeting the criteria provided by handbook.

2 CANCELLATION

A Effective Date: Upon Approval

B Replaces: Nursery Crop Insurance Underwriting Guide 24090 issued 08-99.

3 AVAILABILITY

Nursery crop insurance protection is available to all persons operating a wholesale nursery that produces and markets nursery plants grown in standard nursery containers or the field in accordance with the Common Crop Insurance Policy, Special Provisions, CAT Endorsement, and Nursery Crop Insurance Provisions.

A nursery is a business enterprise that has wholesale sales of nursery plants equal to or greater than 50% of the nursery's gross income. A nursery that receives more than 50% of its gross income from retail plant sales is not eligible for coverage under the Nursery Crop Insurance Provisions.

The percentage of wholesale plant sales is determined by dividing the dollar amount of wholesale plant sales by the total dollar amount of combined retail and wholesale plant sales. Income from other operations including landscaping, chemical sales, other nursery related products, production of other crops or livestock or any other business enterprise not related to the nursery inventory are not to be included in this calculation.

4 IMPORTANT DATES

A Contract change date - 6/30.

B Sales closing date:

(1) New insureds - any time between 9/30 and 5/31.

(2) Carryover insureds - 9/30.

NOTE: All applicants must be eligible for crop insurance benefits and not be listed on the Ineligible Tracking System. Note that any producer who is ineligible because of debt may subsequently become eligible by paying the debt. Such producers may then applying for nursery crop insurance for the remainder of the crop year if the application is submitted by the 5/31 sales closing date.

- C Plant inventory reporting date:
 - (1) New insureds - with the application.
 - (2) Carryover insureds - 9/1.
- D Insurance attachment date:
 - (1) New insureds - 30 days after the application is signed (unless otherwise notified).
 - (2) Carryover insureds - 10/1.
- E Premium billing date - 7/1. Includes:
 - (1) Premium based on:
 - (a) The Plant Inventory Value Report.
 - (b) A revised Plant Inventory Value Report.
 - (c) A Peak Inventory Value Report.
 - (2) Administrative fees.
- F Cancellation date - 9/30.
- G Termination date - 9/30.

5 PRICE ELECTIONS AND COVERAGE LEVELS

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

- A For new policies, changes may not be made after the date of the application.
- B For carryover policies, changes may not be made after 9/30.

6 BASIS OF COVERAGE

- A Eligible Plant List and Plant Price Schedule (EPL/PPS):
 - (1) Is available on a CD ROM and on the RMA web site at <http://www.rma.usda.gov/tools/>
 - (2) Is used to establish insurability, liability, and indemnities.
 - (a) Provides maximum plant prices by type, practice, and size.
 - (b) Identifies insurable plants by name and type.

- (c) Assigns hardiness zones and storage requirements for listed plants.
 - (d) Provides storage keys defining over-winterization requirements.
 - (e) Designates hardiness zones by county.
 - (f) Provides other information to administer the nursery program.
- (3) Designates plants according to plant types and two production practices: field grown and container grown.

B Nursery Catalogs or Price Lists.

- (1) The Nursery Special Provisions require insureds to provide 2 copies of their current wholesale plant catalogs or price list each crop year as a condition of insurance.
- (2) Reinsured companies will submit one copy of the wholesale catalog or price list to the Regional Office (RO). The company's copy of the catalog or price list will be maintained in the official file of the policyholder.
- (3) The RO will also obtain catalogs or price lists for representative non-insured nurseries and will submit all catalogs and lists received and collected to the party responsible for maintaining the plant list and price schedule.
- (4) All catalog or price lists must contain the following minimum requirements:
 - (a) Name, address, and phone number of the nursery.

NOTE: Insurance provider to add crop year, servicing company and the policy number if available.

- (b) Each plant's name (scientific or common), sizes and prices.

NOTE: A crop Inventory Valuation Estimate created with the use of the Nursery Crop Insurance Software cannot be used as a substitute for the catalog or price list.

- C** The insured should use the lower of the EPL/PPS price or the lowest wholesale price in the insured's nursery catalog or price list to establish inventory values. Losses will be adjusted on the basis of the "lower of" prices without regard to the prices used by the insured to prepare the report.
- (1) A plant that is priced on the EPL/PPS under both the high/wide and caliper measurement methods may be valued for pricing purposes using the lowest wholesale price for the plant that is contained in the insured's nursery catalog or price list. However, such price may not exceed the maximum price for the plant contained on the EPL/PPS.
 - (2) The "lowest wholesale price" in the nursery's catalog or price list is defined as the lowest unit price at which a plant is offered for sale.

- (3) Methods used in discounting prices may be based on dollar amount purchased, number of plants purchased, or other methods of price discounting. The method used by the insured to discount prices will be used in the determination of the lowest price. The discounts available must be shown on the catalog, price list, or a printed discount schedule. It is not considered a discount if prices are lowered to sell lower quality plants or reduce inventory.
- (4) If there is an incremental volume discount offered in pricing nursery plants, the lowest price offered will be used. For example: the lowest price per unit for the largest volume of plants offered for sale. To further illustrate, a plant may be offered for sale in the following manner using incremental discounts or volume discounts:
 - (a) 500 plants @ 1.00 dollar each
 - (b) 1,000 plants @ 75 cents each
 - (c) 5,000 plants @ 45 cents each

The price of 45 cents will be used as this is the lowest unit price.

- D All plant varieties/cultivars of a genus may not be listed in the EPL/PPS. In these cases, the inventory value of each unlisted variety/cultivar will be compared separately to the listed price for the genus to determine the "lower of" price. See the example below.

EXAMPLE: The EPL/PPS shows a price for boxwoods at the genus level only with a price for one-gallon pots of \$5.00. The nursery lists in its catalog the one-gallon winter gem boxwood at \$2.00 and the one-gallon Korean boxwood at \$5.25. Enter the winter gem and the Korean boxwoods on separate lines. The sales software will apply the "lower of" rule for both selecting the \$2.00 catalog price for the winter gem boxwood and the \$5.00 EPL/PPS price for the Korean boxwood.

- E Plant prices determined from the nursery catalog, price list, or EPL/PPS remain in effect for that crop year only and must be redetermined for the following crop year, using the nursery catalog or price list and EPL/PPS in effect for that crop year. The applicant or policyholder must submit two copies of the nursery's most recent wholesale catalog or price list at the time the initial Plant Inventory Value Report is submitted each crop year. If the nursery publishes more than one edition of its wholesale catalog or price list offering different plants (e.g., a fall plant catalog and a spring catalog), two copies must be submitted of the most recent edition of each at the time the Plant Inventory Value Report is submitted for each crop year. The policyholder may revise the Plant Inventory Value Report or elect a Peak Inventory Endorsement during the crop year. The catalog or price list in effect on the inventory reporting date will be used for purposes of the revised report or endorsement.
- F If both a spring and fall catalog or price list are submitted by a nursery, the prices for plants will be selected from the appropriate catalog. For example, the nurseryman applies for a nursery policy in April and has catalogs published in March of the current year and September of the prior year. If catalog prices are used, the March catalog will be the first reference for the inventory of plants. If certain plants are not contained in the March catalog, the nurseryman may reference the September catalog.

NOTE: If the producer fails to provide a catalog or price list at inventory reporting, the company will reject the report and application. If the carryover insured does not provide the required catalog and/or price list by September 30, the company will cancel the policy for the succeeding crop year. The "lower of" price rule is applicable to coverage bound as a result of any Peak Inventory Value Report and any revision to the Plant Inventory Value Report.

7 INSURABLE PLANTS

Insurable plants include:

- A Container and field grown nursery plants identified on the EPL/PPS meeting the requirements of the Common Crop Insurance Policy and Nursery Crop Insurance Provisions.
- B Eligible plants grown under irrigation. The Special Provisions may allow for a non-irrigated practice for field grown plants.

NOTE: Unless otherwise allowed in the Special Provisions nurseries are required to be irrigated on an as-needed basis. Container plants require an ongoing application of water. Field grown plants may require a more or less frequent application of water.

There are various methods of irrigating. For the purposes of insurance there must be an adequate supply of water and adequate equipment to deliver the water to the plants. The source of water may be a well, lake, river, or it may be delivered with tanker truck. The method of application also may vary; for example, sprinklers or trickle irrigation.

See section 9E(4)(a), Conditions of Acceptance, for additional instructions for making irrigation determinations. It is the inspector's responsibility to affirm that there is an adequate source of water and that the method and frequency of application is effective in maintaining the proper amount of moisture for the plants. Weather conditions and plant type also affect the required frequency and amount of water application. In the event a water source fails or there is a failure or loss of irrigation equipment due to uninsured causes, coverage will be denied. Examples would include failure of a well or public water shortage as the result of non-insured causes of loss, breakdown of equipment, or inability to use tankers to transport water. Coverage will be provided only if there is a failure of the irrigation water supply due to a cause of loss specified in Section 10 of the Nursery Crop Insurance Provisions.

- C Plants meeting the following size requirements and guidelines:
 - (1) Container and field grown plant sizes between those listed on the Base Price Table of the EPL/PPS should be rounded to the nearest size to determine the price.
 - (a) Plants smaller than the smallest listed size are not insurable. Do not round up.
 - (b) Plants with sizes larger than the largest size listed on the EPL/PPS are insurable, but the price is limited to the lower of the EPL/PPS price for the largest size of the plant listed or the lowest wholesale catalog price for the affected plant sizes.

- (2) The plant height determined under the high/wide measurement method will not include the height of the root ball for ball-and-burlapped plants. The high/wide measurement method uses the height of the trunk from the in ground soil line or the width of the bowl (branches and foliage).
- (3) Insurable plants in over-sized containers will be valued for purposes of reporting inventory as if the plants were in appropriately sized containers in accordance with the standards contained in the American Standard For Nursery Stock (ANSI Z60.1). Each cell in a multiple cell container is considered a separate container. Trays, flats or cell packs with individual cells less than 3 inches in diameter at the widest point of the container interior are not insurable. See the EPL/PPS for additional information and requirements.
- (4) Container sizes are determined on an actual volume basis for purposes of determining the price of the plant as provided on the EPL/PPS. (See the Special Provisions and the table found in Exhibit 4 in this handbook.)
- (5) A plant may be priced by a nursery by height (high/wide) whereas the EPL/PPS may only list caliper as the method of measurement and pricing. The reverse may also occur. In these instances, a “comparable size” determination must be made before the “lower of” price rule can be applied.

EXAMPLE: A nursery reports that there are 100 ten-foot-high Acey Broom trees in the inventory. The EPL/PPS shows the Acey Brooms priced by container size or by caliper, but not by high/wide. A determination is made that they are 2 inches in caliper. With this information the nursery’s catalog price may be compared to the EPL/PPS caliper price to determine the “lower of” price.

See the Nursery Crop Insurance Provisions, section 8, for additional information regarding insurable plants.

- D Insurable plants damaged prior to the attachment of insurance may be accepted by the insurance company for coverage at a reduced value as determined by the insurance provider until such plants have fully recovered.
- E Plants must meet the over-winterization cold protection and hardiness zone requirements contained in the EPL/PPS to be insurable for losses caused by cold weather.
- F Plants may be established as insurable under a written agreement prepared by RMA (not applicable to CAT). See section 13, Written Agreements for Unlisted Plants, for additional instructions.

8 CAUSE OF LOSS LIMITATIONS

- A Plant disease and insect damage are not covered unless the disease or insect infestation occurs and no effective control measure exists, or unless otherwise specified on the Special Provisions. If a pesticide or herbicide is not available for control of disease or insects, loss from disease or insects that are not controllable will be covered. Horticulturists, extension agents, or agronomists may be used as experts in determining appropriate control measures. Disease or insect damage resulting from conditions that reduce the effectiveness of control measures is not covered.

- B Insurable plants grown without over-winterization cold protection are covered for all named perils except cold temperatures without the need for a special endorsement.
- C See Section 10 (b) of the Nursery Crop Insurance Provisions for additional limitations.

9 CONDITIONS OF ACCEPTANCE

- A An inspection report must be completed prior to the acceptance of any application for insurance of a nursery crop and at certain other times. The nursery inspection is conducted by the company to determine the acceptability of the nursery operation as an insurance risk. 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 D and E of this section.
- B Inspection of nursery operations must occur in the following circumstances:
 - (1) The first year for all policyholders and when a policy is transferred from another company, to determine if:
 - (a) the inventory amounts reported are appropriate for CAT policies and the limits are not exceeded as provided under Section 6 (h) of the crop provisions;
 - (b) the reasonableness of reported values.
 - (c) the risk is acceptable;
 - (d) there is existing damage; and
 - (e) insurability requirements are met.
 - (2) When there is an increase in value shown on the Plant Inventory Value Report of 50% or more of the previous values on a policy basis.
NOTE: This is measured on a policy basis, not by practice.
 - (3) When a new site or location is added to the operation.
 - (4) The first year a CAT applicant or insured requests a waiver under section 6 (h) of the Nursery Crop Insurance Policy Provisions. See section 12B(3) for additional information.
- C The inspection must be completed timely enough to provide the company the opportunity to reject the application, determine the value of all inventory including the value of plants with existing damage that the Insurance Provider elects to insure at a reduced value, or cancel the policy if necessary.
- D A negative inspection report requires one or more of the following actions:
 - (1) Notify the applicant or insured in writing of any noted deficiency, and if the deficiency is not corrected and a loss occurs, there are potential grounds for denying any claim based on the Nursery Crop Policy Insurance Provisions.

- (2) Notify the applicant or insured that on the basis of the negative inspection report and/or requirements of the Nursery Crop Insurance Provisions and Special Provisions that:
 - (a) coverage is denied (reject or cancel the policy);
 - (b) coverage is accepted on undamaged inventory;
 - (c) coverage on damaged inventory can be accepted at a reduced value or rejected.
- (3) Review the nursery's records to determine if the reported values are unreasonable.
- (4) Re-inspect the nursery to determine if the causes for denying a claim or coverage have been corrected.

E 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 value	Review nursery's records. If still negative, deny coverage.
(3) Records in support of a request to waive CAT Inventory Value limits.	Review nursery's records (See section 12B(3)(c)). If still negative, deny request. Offer coverage at stated policy limits.
(4) Adequacy of Facilities:	
(a) Inadequate Irrigation	When only a portion of the plants are irrigated and non irrigated coverage is not allowed by the Special Provisions, deny coverage. The inspector must determine the requirements, adequacy and availability of irrigation for both the container and field grown plants. Younger field grown plants and most containerized plants require more frequent water application than established field grown plants.
(b) Inadequate Cold Protection	If the over-winterization cold protection is inadequate, the company will notify the nursery in writing that a loss from cold temperatures may be denied, or deny all coverage.
(c) Existing damage	Notice of potential grounds for denying a claim, or denying or reducing coverage. If plant disease, insect infestation, or other plant damage is evident during the inspection, the company will notify the nursery in writing

that existing damage will not be covered (such plants are not insurable), or if the insurance provider accepts insurance on damaged plants, these plants are insurable only at a reduced value determined by the insurance provider.

- (d) Improper container or potting medium Notice of potential grounds for denying a claim, or denying coverage.
- (e) Weeds Notice of potential grounds for denying a claim, or denying coverage.

F As the result of the inspection:

- (1) 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. The application must be completed before sales closing date for new insureds.
- (2) If plant damage is evident at the time of inspection the inspector will document the plants damaged, types/practices, type damage, number of damaged plants that will recover, time required for plant recovery, and the number of damaged plants that will not recover.
- (3) Some of the plants maybe dormant at the time of the inspection and possible plant damage is evident, but the amount of the damage can not be determined. The inspector will document the plants with possible damage, types/practices, type of damage, and number of plants. Notify the nursery in writing that a reinspection will be performed after the plants come out of dormancy, and existing damage will not be covered (such plants are not insurable), or if the insurance provider accepts insurance on damaged plants, these plants are insurable only at a reduced value determined by the insurance provider.
- (4) The company may adjust the Plant Inventory Value Report to reflect the decreased values after the sales closing date.

10 UNIT DIVISION

A Unit division on a geographic basis (i.e., different sections, FSN's, etc.) is not available under policy 99-073 for CAT or additional coverage.

B For CAT:

- (1) Basic units are based on all nurseries in a county in which the insured has a 100 percent interest and separately for each nursery in which the insured has a different share interest (see the CAT endorsement). Field and container grown plants produced in the same nursery will be contained in the same basic unit.
- (2) Optional units are not available.

C For additional coverage:

- (1) Share units are not available.
- (2) Basic units are established by practice (container grown and field grown). All insurable plants under each practice in which the insured has a share is a basic unit.
- (3) A basic unit may be divided into optional units according to the following plant types:
 - (a) Deciduous trees (shade and flower)
 - (b) Broad-leaf Evergreen trees
 - (c) Coniferous Evergreen trees
 - (d) Fruit and Nut trees
 - (e) Deciduous Shrubs
 - (f) Broad-Leaf Evergreen Shrubs
 - (g) Coniferous-Evergreen Shrubs
 - (h) Small Fruits
 - (i) Herbaceous Perennials
 - (j) Roses
 - (k) Ground Cover and Vines
 - (l) Annual
 - (m) Foliage
 - (n) Other plant types listed in the Special Provisions
- (4) Regardless of the existence of optional units, the basic unit will be used to establish:
 - (a) The amount of insurance.
 - (b) Crop year deductible.
 - (c) Under-reporting factor.
 - (d) Premium.
 - (e) The maximum indemnity payable.

11 PENALTIES FOR MISREPORTING

A Under Report-Factor (penalty for under-insuring)

If the policyholder fails to report an amount of insurance at least equal 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.

EXAMPLE: The value of the nursery inventory for the basic unit reported on the plant inventory report is \$100,000. The value of the inventory in the basic unit prior to damage was \$125,000 (field market value C). The under-report factor is .80 ($100,000 \div 125,000$). A \$40,000 loss occurs ($125,000 - 85,000$). The insured has insured 80% of the inventory and thus receives 80% of the loss or \$32,000. This amount would be used to determine the final indemnity (see examples in section 15 of the Nursery Crop Insurance Provisions).

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.

NOTE: The agent is encouraged to advise the insured in valuing the inventory that the "lower of" method will be used for determining inventory values at the time of loss. Failure to use the "lower of" method may have an adverse impact to the insured as described above. See sections 6 B and F regarding the requirements for submitting nursery catalogs or price lists with the inventory value report.

12 PLANT INVENTORY VALUE REPORT

A A submitted Plant Inventory Value Report must be signed and dated:

NOTE: It is not acceptable to mark report "signature on file" or "report by telephone" or any other remark without the original insured signature.

- (1) At the time of application for new insureds.
- (2) By September 1 for carryover insureds. If a new report is not filed and the policy is not canceled, the policy will continue using the reported inventory values in effect as of September 1. Coverage will attach for the next crop on October 1, but only if the insured submits the nursery's catalog(s) or price lists (See sections 6, B and F). This does not include values reported on a Peak Inventory Endorsement. A revised Plant Inventory Value Report is required to increase inventory value established under this item. and a 30 day waiting period following such revisions would apply.

NOTE: While in most cases, this provision will protect the interests of insureds, if the expiring reported inventory value is too great--for example, if there had been a loss during the year and the insured restocked and increased the reported inventory--the insured

may purchase too much coverage and thus be subject to paying unnecessary premium and incur of an unnecessarily large crop year deductible. Since reported values generally cannot be revised downward, insureds should be advised to exercise caution in using this default mechanism (See section 12 D(3) for exceptions).

B The report will include:

- (1) All nursery growing locations.
- (2) Applicable practices and values.
- (3) Inventory value is based on the lower of the nursery's "lowest wholesale price" or the EPL/PPS. For CAT, the inventory value may not exceed:
 - (a) 150 percent of the prior year's sales for container grown plants.
 - (b) 250 percent of the prior year's sales for field grown plants.

NOTE: These limits may not be waived by written agreement. (Written agreements are not available for CAT; see the CAT Endorsement.) The 150/250 limitations contained in section 6(h) of the nursery crop insurance provisions 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 demonstrate the actual inventory value, and the company underwriter may waive the limits and issue coverage for a higher amount. A written statement by the company underwriter as to the reason limits have been waived must be kept in the policyholder's file.

- (c) Acceptable records include the sales records and/or inventory records for the prior three years. If these records are not available (e.g. a new nursery with no previous sales history), an inspection will be made to determine if adequate and acceptable facilities exist to accommodate the increase in reported inventory value and to justify waiving the limits.

NOTE: An inspection of the nursery is required the first year a nursery requests a waiver under section 6(h) of the Nursery Crop Provisions. If the same nursery requires a continuation of the waiver for the same values the next crop year, the company may approve the waiver without an inspection using copies of the original inspection and Plant Inventory Value Report as documentation for the approval.

- (4) The initial Plant Inventory Value Report for the crop year will contain only the inventory value for plants listed on the EPL/PPS or under a written agreement. Written agreements may be used only to insure plants not listed on the EPL/PPS. See section 13 B for instructions on reporting inventory values affected by a written agreement.
- (5) Share.
- (6) Previous year's plant sales (CAT only).

C If necessary, the company may also request documentation including:

- (1) A detailed list of all plants, by name, size, and quantity.
- (2) Sales and purchases of plants for the previous 3 years.
- (3) Evidence of the insured's ability to maintain the nursery plants.

D Plant Inventory Value Report Revisions

NOTE: Regardless of when a revised Plant Inventory Value Report is completed, the full annual premium is due on the increased plant value.

- (1) This report may be revised **PRIOR** to the May 31st sales closing date to increase the insured inventory value due to:
 - (a) Changes in the nursery (increased growing area, inventory volume, and/or inventory value, etc.).
 - (b) Restocking after crop damage.
 - (c) Increased coverage provided under a written agreement for plants by practice not listed on the EPL/PPS.
 - (d) Adjustments in the value of damaged plants accepted for insurance by the insurance provider.
 - (e) Increased coverage resulting from providing insurance coverage on plant inventory that was previously rejected for insurance.
 - (f) Clerical errors.
- (2) The report may be revised **AFTER** the May 31st sale closing date to increase the insured inventory value due to:
 - (a) a written agreement approved after sales closing, but requested by sales closing; or
 - (b) clerical errors.

NOTE: The reason for the upward revision must be indicated in the remarks section of the Inventory Value Report form stating "revised upward for written agreement," or "revised upward for clerical error correction."

- (3) The company may revise the Plant Inventory Value Report downward **AFTER** sales closing in order to:
 - (a) decrease the values for plants damaged before acceptance of the application or before insurance attaches for carry over policies;
 - (b) decrease the values for plants with deferred damage when the amount of damage to the plants could not be determined at the time of the pre-acceptance inspection and insurance is denied or value reduced for such plants;

- (c) decrease the values for plants with deferred damage when the amount of damage to the plants could not be determined during a loss inspection from a previous crop year;
 - (d) delete uninsurable plants;
 - (e) correct clerical errors.
- (4) The agent and policyholder are prohibited from revising the Plant Inventory Report after sales closing except for clerical errors.
 - (5) Revisions must be made by May 31st of the crop year, except as provided under section D 2 and 3.
 - (6) Increases in inventory values are subject to inspection requirements. All increases in inventory value, revised Plant Inventory Value Reports, and Peak Inventory Endorsements are subject to the 30-day waiting period before insurance attaches.

NOTE: This item does not apply to section 12D(1)(f) and 12D(2)(b).

13 WRITTEN AGREEMENTS FOR UNLISTED PLANTS

For plants not listed in the EPL/PPS, submit a request to the RMA Regional Office for a written agreement. Written agreements are not available for CAT.

NOTE: Written Agreements may not be issued for missing plant sizes, to change pricing methods, add practices, change hardiness zone, etc.

A Requesting a written agreement

- (1) The request for a written agreement must be submitted by:
 - (a) The date the application is signed for new insureds.
 - (b) September 30 for carryover insureds.
- (2) Documentation (catalog or price list including the specie(s) and size) and the estimated number of plants to be insured under the written agreement must be submitted to the RO with the request, and copies will be retained in the policyholder file by the company.

NOTE: The 30-day delay in coverage for plants begins on the submission date contained in section 13A1(a) or (b) and is not delayed by the request for a written agreement. Coverage will attach retroactively on the 31st day after the date of the application, once the approved written agreement is accepted by the applicant and the revised inventory report is submitted to the company.

- (3) A request for a written agreement must include a separate list of only the plants that are not currently insured and for which insurance is requested. This list must include the botanical name, common name and the size of each plant.

B After the written agreement is issued and accepted:

- (1) A revised inventory report must be submitted at the time the written agreement is accepted by the insured. The revised inventory value must not exceed the plant inventory count for the affected plant(s) and size(s), times the value(s) established by the written agreement.
- (2) The RO will maintain a file containing plant names listed by both the common and scientific names, plant sizes, and prices that have been approved for written agreements. The use of this file will assure uniform pricing in the issuance of written agreements in the office.
- (3) Premium is determined on a full-year basis for carryover insureds and for all months for which any coverage was provided in the case of first-year insureds.
- (4) A copy of the written agreement must be attached to the Plant Inventory Value Report and kept in the policyholder file.

NOTE: Complete the Plant Inventory Value Report showing all values except those for plants for which a written agreement is requested. The agent, upon receipt of an approved and accepted written agreement, will calculate the additional value by multiplying the plant price contained on the written agreement by the number of such plants grown. The worksheet used to calculate the additional value will be maintained in the policyholder's file. The agent will enter the additional amount of coverage on the FCI-543, Plant Inventory Value Report or equivalent and enter the value in the appropriate container grown or field grown section. In the remarks section enter: "values per written agreement." The revised Plant Inventory Value Report will be submitted to the company.

14 PEAK INVENTORY ENDORSEMENT

The Peak Inventory Endorsement allows the value of the insured inventory to be increased temporarily to an amount greater than the amount provided by the plant inventory value report. It is used to reflect values during a peak inventory period. Increases in inventory value through this endorsement are in addition to any increases that may have been reported on a revised Plant Inventory Value Report.

A Rules:

- (1) The Peak Inventory Value Endorsement is an annual endorsement.
- (2) The Peak Inventory Value Endorsement is not available for CAT.
- (3) All coverage factors (e.g., price percentage, elections, coverage level) remain the same as provided by the underlying policy. Only the inventory value changes.
- (4) No more than two peak endorsements can be purchased for each practice (basic unit) during the crop year, unless an insurable loss has occurred and the lost inventory is restocked).
- (5) The maximum liability under any one peak endorsement is limited to the practice value reported under the Nursery Crop Insurance Provisions.

- (6) Premium is charged on a whole month basis for each month for which any coverage is provided.
- (7) The Peak Inventory Endorsement may not be purchased after May 31 for the crop year, but may be purchased on or before May 31 to cover months that follow May. For example, the insured may use the Peak Inventory Endorsement to insure an anticipated inventory value increase in June and July.
- (8) "Stacking" is permitted. That is, the insured may have two endorsements in effect at the same time for a basic unit. The commencement and termination dates of stacked peak endorsements do not have to coincide, but can not extend beyond the current crop year.

EXAMPLE: A nursery producer decides to add containerized Ficus trees to inventory and purchases a peak season endorsement for the month of November. The nursery producer then adds containerized poinsettias to inventory for the months of November and December and purchases another peak season endorsement for November and December. The nursery producer has "stacked" the peak season endorsement for the month of November.

B Reporting requirements. (Also, see reporting requirements under section 12B of this Guide.)

- (1) Submit a Peak Inventory Value Report on or before May 31.
- (2) Use the same catalog that was used to complete the Plant Inventory Value Report to determine values for the Peak Inventory Value Report.
- (3) Specify the coverage commencement and termination dates by month.

15 DEDUCTIBLES

A Crop year deductible.

The crop year deductible is determined when the level of coverage is selected. It is equal to 1 minus the selected coverage level times the inventory value reported for the basic unit times the share. The crop year deductible is reduced by the amount of any loss 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 Plant Inventory Value Report or by the purchase of a Peak Inventory Endorsement. The increased deductible under the endorsement is applicable only during the effective period of the endorsement.

B Occurrence deductible.

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

- (1) The deductible percentage (1 - the coverage level) times field market value A times any under report factor, or

(2) The (remaining) crop year deductible.

16 FIELD MARKET VALUES

A Field market value A.

Value of the insurable nursery plants within the unit (basic or optional) immediately prior to a loss based on the lower of the EPL/PPS, insured's catalog or price list.

B Field market value B.

Appraised value of insurable nursery plants based on the lower of the EPL/PPS, insured's catalog or price list that establishes the after damage value remaining. This may include any appraisal for uninsured loss of value.

C Field market value C.

The value of undamaged insurable nursery plants based on the lower of prices contained in the EPL/PPS, insured's catalog or price list for the basic unit immediately prior to a loss. This value is compared to the value reported for the basic unit on the Plant Inventory Value Report (including any revised report or Peak Inventory Value Report) to determine any under-report factor.

17 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 re-established if the nursery is 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 nursery crop insurance provisions, Section 15.

A	Share	100%
B	Reported inventory value	\$100,000
C	Coverage level	75%
D	Price election percentage	75%
E	Amount of Insurance	$B (\$100,000) * C (.75) * D (.75) = \$56,250$
F	Crop Year Deductible	$B (\$100,000) * .25 (1 - C, (.75)) = \$25,000$

Values at the time of loss:

G	Field market value A	\$125,000
H	Field market value B	\$ 80,000
I	Field market value C	\$125,000
J	Under-report factor	$B (\$100,000) \div I (\$125,000) = .80$
K	Occurrence deductible	$I (\$125,000) * .25 (1 - C, .75) * J (.80) = \$25,000$

Step 1	Determine the under-report factor	J (.80)
Step 2	$G (\$125,000) - H (\$80,000) =$	$\$45,000$
Step 3	$\$45,000 * .80$ (result of Step 1)	$= \$36,000$
Step 4	$\$36,000 - K (\$25,000) =$	$\$11,000$
Step 5	$\$11,000 * D (.75) =$	$\$8,250$
Step 6	$\$8,250 * A (1.000) =$	$\$8,250$ indemnity

The amount of the Crop Year Deductible remaining is $F (\$25,000) - K (\$25,000) = \$0.00$

NOTE: If the nursery restocks and purchases additional coverage the amount of Crop Year Deductible will increase.

The amount of insurance remaining is $E (\$56,250) - \$8,250 = \$48,000$

NOTE: If the nursery restocks and purchases additional coverage the Amount of Insurance will increase.

EXHIBIT 1

FCI-543 (8-99)		U. S. DEPARTMENT OF AGRICULTURE Federal Crop Insurance Corporation PLANT INVENTORY VALUE REPORT												
Insured's Name							Policy Number		Crop Year		IF REVISED REPORT, CHECK HERE <input type="checkbox"/>			
Street Address							Has the nursery operation changed in the last year?					Yes <input type="checkbox"/> No <input type="checkbox"/>		
City, State, Zip							Are all growing locations insured?					Yes <input type="checkbox"/> No <input type="checkbox"/>		
Nursery Location							I elect to have optional units and pay the additional premium.					Yes <input type="checkbox"/> No <input type="checkbox"/>		
PRACTICE		CONTAINER GROWN (008)					FIELD GROWN (007)							
COUNTY	UNIT NO.	PRACTICE VALUE	COVERAGE LEVEL	PRICE LEVEL	INSURED SHARE	AMOUNT OF INSURANCE	UNIT NO.	PRACTICE VALUE	COVERAGE LEVEL	PRICE LEVEL	INSURED SHARE	AMOUNT OF INSURANCE		
		X	X	X	=			X	X	X	=			
Previous Year's Sales (CAT only):							Previous Year's Sales (CAT only):							
		X	X	X	=			X	X	X	=			
Previous Year's Sales (CAT only):							Previous Year's Sales (CAT only):							
		X	X	X	=			X	X	X	=			
Previous Year's Sales (CAT only):							Previous Year's Sales (CAT only):							
REMARKS:														
I submit this report and (if applicable) the most recent wholesale catalog(s) or price list(s) for my nursery pursuant to the requirements of the nursery crop insurance provisions, and certify to the best of my knowledge that they correctly present the wholesale prices at which my plants have been offered for sale.														
Also, I understand and agree that:														
1. Only plants listed in the Eligible Plant List and Plant Price Schedule (EPLPPS), or for which I have an approved written agreement, are insurable.														
2. I should value my plant inventory based on the prices from an approved written agreement, or the lesser of the prices listed in the EPLPPS or the lowest wholesale price contained in my initially submitted wholesale catalog(s) or price list(s).														
3. Indemnities will be based on prices from an approved written agreement, or the lesser of the prices listed in the EPLPPS or the lowest wholesale price contained in my initially submitted wholesale catalog(s) or price list(s).														
4. Over reporting my inventory value for insurance purposes will cause me to overpay premium and will increase my crop year deductible. My crop year deductible may not be reduced by revising the report downward except as approved by the company in accordance with approved guidelines.														
5. If I under report my inventory value, any indemnities payable may be prorated down by an under report factor.														
6. Only wholesale nurseries, as defined in the policy, are eligible for coverage.														
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			Code Number		Date

EXHIBIT 1

FCI-543 (Reverse)

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, age, 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 1

PLANT INVENTORY VALUE REPORT

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

For new insureds this report must be completed at the time of application.

For carryover insureds, this report must be filed by September 1 or the values reported for the previous crop year remain in effect.

This report may be revised up until May 31 for the crop year.

This report will include all locations.

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

In the event a plant cannot be identified on the EPL/PPS, the policyholder may request that the Regional Office assign the required plant value through a written agreement.

IDENTIFYING THE INSURED

Insured's Name and Policy Number
Street Address, City, State, Zip Code

UNDERWRITING QUESTIONS

Crop Year
If this is a revised report, check box

NOTE: Downward revision are not accepted except as approved by the company per approved guidelines.

Has the nursery operation changed in the past year? Check Yes or No
Are all growing locations insured? Check Yes or No
I elect to have optional units and pay the additional premium. Check Yes or No

EXHIBIT 1

REPORTING BY BASIC UNIT

Separate Columns by Practice:- Container Grown (008) and Field Grown (007)
County and Unit Number - Insured share

Practice value (The full value of all insurable plants in each basic unit on the plant inventory value report, including any report increasing the value of insurable plant inventory.) *multiplied by*

Coverage Level (one level per crop/county) *multiplied by*

Price Level (one price % per crop/county) *multiplied by*

Insured share equals:

Amount of Insurance

For CAT Only: Report for each basic unit the sales for the prior year by practice .

Remarks: Enter information as needed (example, "revised upward for written agreement").

UNDERSTANDING BY INSURED

Assure that the inventory values reported are based on the lower of prices from the EPL/PPS, insured's catalog, or price list.

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 wholesale nurseries are eligible for coverage. The nursery must derive at least 50 percent of its gross income from wholesale marketing of plants.

SIGNATURE BY INSURED

The Plant Inventory Value Report must be signed and dated by the insured. It is not acceptable to mark report "signature on file" or "report by telephone" or any other remark without the original signature.

SIGNATURE BY REPRESENTATIVE

The agent must sign and date the Plant Inventory Value Report.

EXHIBIT 2

FCI-543A
(10-98)

U. S. DEPARTMENT OF AGRICULTURE
Federal Crop Insurance Corporation

PEAK INVENTORY VALUE REPORT

Insured's Name	Contract Number	Coverage Level	Price Level	Crop Year
Street Address				
City, State, Zip				

PRACTICE	CONTAINER GROWN (008)				FIELD GROWN (007)				
	UNIT NO.	INSURED SHARE	PEAK INVENTORY VALUE	PEAK AMOUNT OF INSURANCE	UNIT NO.	INSURED SHARE	PEAK INVENTORY VALUE	PEAK AMOUNT OF INSURANCE	
Peak Inventory Coverage Commencement Date			Peak Inventory Coverage Termination Date		Peak Inventory Coverage Commencement Date			Peak Inventory Coverage Termination Date	

I submit this report pursuant to the requirements of the nursery crop insurance provisions and certify to the best of my knowledge that it is correct.

A false statement made to the Federal Crop Insurance Corporation or false statement made on a matter within the jurisdiction of the FCIC may subject the maker to criminal and civil penalties under the provisions of 18 U.S.C. 1006, 1014; 7 U.S.C. 1506; 31 U.S.C. 3729, 3730.

Insured's Signature	Date	Representative's Signature	Date
---------------------	------	----------------------------	------

PRACTICE	CONTAINER GROWN (008)				FIELD GROWN (007)				
	UNIT NO.	INSURED SHARE	PEAK INVENTORY VALUE	PEAK AMOUNT OF INSURANCE	UNIT NO.	INSURED SHARE	PEAK INVENTORY VALUE	PEAK AMOUNT OF INSURANCE	
Peak Inventory Coverage Commencement Date			Peak Inventory Coverage Termination Date		Peak Inventory Coverage Commencement Date			Peak Inventory Coverage Termination Date	

I submit this report pursuant to the requirements of the nursery crop insurance provisions and certify to the best of my knowledge that it is correct.

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
---------------------	------	----------------------------	------

EXHIBIT 2

FCI-543A (Reverse)

COLLECTION OF INFORMATION AND DATA (PRIVACY ACT)

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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.

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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 2

INSTRUCTIONS FOR COMPLETION OF FCI-543A PEAK INVENTORY VALUE REPORT (NOT AVAILABLE FOR CAT)

The following entries are required for the Peak Inventory Value Report. The format and the sequence of the items on the form will be determined by the format selected by the company.

This report must be completed when the insured reports inventory values that will be increased for a particular period of time. The policy will be endorsed to reflect the time and value increase.

Premium will be charged for each month for which the amount of coverage is increased. A full month's premium is charged for any fraction of a month of increased coverage.

This report may be filed on or before May 31 of each year.

No more than two endorsements may be purchased in a crop year unless a loss occurred and the loss was to inventory covered by the Peak Inventory Report. Damaged plants originally reported under the Plant Inventory Value Report that are replaced, should be reported for coverage under a revised Plant Inventory Value Report

Price percentage, elections, and coverage level remain the same as provided by the underlying policy, only the inventory value changes.

The maximum added liability under each Peak Inventory Endorsement is limited to the original practice value reported under the Nursery Crop Insurance Provisions.

The insured may have more than one peak season endorsement in effect covering portions or all of the same period of liability increase. The commencement/termination dates of Peak Inventory Endorsements do not have to coincide. Peak Inventory Endorsements are independent of each other.

IDENTIFYING THE INSURED

Insured's Name
Contract Number
Street Address
City, State, Zip Code

UNDERWRITING QUESTIONS

Coverage Level
Price Election (One price % per policy)
Crop Year

EXHIBIT 2

REPORTING BY BASIC UNIT

(Practices: Container Grown 008 and Field Grown 007)

Unit Number

Insured's Share

Peak Inventory Value (The value the inventory is increased by the Peak Inventory Value Report)

Peak Amount of Insurance (For each basic unit, the practice value plus the peak inventory value multiplied by coverage level percentage elected, multiplied by the price election)

Peak Inventory Commencement Date (May be any date selected by the insured)

Peak Inventory Termination Date (May be any date selected by the insured)

UNDERSTANDING BY INSURED

Assure that the peak increase in inventory is reported in accordance with lower of prices from the EPL/PPS, insured's catalog or price list.

Assure that the peak increase reflects the inventory values and practice during the peak period reported by the insured

SIGNATURE BY INSURED

The Peak Inventory Value Report must be signed and dated by the insured. It is not acceptable to mark the report "signature on file" or "report by telephone" or any other remark without the original signature.

SIGNATURE BY REPRESENTATIVE

The agent must sign and date the peak inventory value report.

EXHIBIT 3

FCI-544
(Rev. 10-98)

U.S. DEPARTMENT OF AGRICULTURE
Federal Crop Insurance Corporation

NURSERY UNDERWRITING INSPECTION REPORT

1 CROP YEAR	2 UNIT NUMBER	3 ACRES	4 PRACTICE	5 CONTRACT NUMBER
6 NAME AND ADDRESS OF APPLICANT		7 NAME OF OWNER		8 NAME OF OPERATOR
		9 NAME OF AGENT/AGENCY Phone No. ()		10 LEGAL DESCRIPTION: <input type="checkbox"/> Section <input type="checkbox"/> Township <input type="checkbox"/> Range
		11 LOCATION DESCRIPTION:		

SITE INFORMATION

12 FLOOD RATING

Is the nursery site susceptible to flood damage? YES NO

If yes describe in detail what precautions have been taken to protect the container / in-ground stock

13 IRRIGATION PRACTICE

Describe in detail the irrigation water source.

A. Surface: _____ % of total supply

- (1) Irrigation district name _____
- (2) Allocation last year: _____ % of normal
- (3) Expected allocation: _____ % of normal
- (4) Water Impoundment: Size _____ How many _____
- (5) Rivers/Creeks: _____ Number of months available

B. Irrigation Well(s): _____ % of total supply

- (1) Irrigation district name _____
- (2) Allocation last year: _____ % of normal
- (3) Expected allocation: _____ % of normal
- (4) Number of Wells: _____ Gallons per minute _____
- Other: Size and number _____

Type of Irrigation Method:

Overhead _____ Drip or Trickle System _____ Other _____

14 Describe in detail the fertilization program used for the unit. Include any specialized requirements required by species (attach additional sheets as necessary)

15 Describe in detail weed control measures used for the unit

16 Describe in detail wildlife control measures used for the unit

17 Do any plant species show evidence of insect or disease infestation? If evidence of disease is observed describe in detail and document what is being done to control the disease. Attach additional sheets as necessary.

18 Are plants being grown in appropriate growing medium according to accepted industry standards?

19 (A) Is the unit subject to above normal frost hazard?

(B) Has winter damage or damage the previous year occurred which may affect this year's potential production? If yes, explain.

20 Frost/Freeze Protection: (Check and enter type information)

- | | |
|--|--|
| A. None <input type="checkbox"/> | G. Does site location aid in frost protection? |
| B. Sprinklers <input type="checkbox"/> | H. Average number of times per year that frost protection is utilized? |
| C. Hoop house <input type="checkbox"/> | I. Designated Hardiness Zone for the nursery location. |
| D. Poly <input type="checkbox"/> | |
| E. Greenhouse <input type="checkbox"/> | |
| F. Heat <input type="checkbox"/> | |

EXHIBIT 3

FCI-544 (Reverse)

21 Are adequate facilities available to meet over winterization requirements required by the Nursery Eligible Plant Listing? Note any deficiencies.

22 By what date does the nursery normally complete cold weather protection of container Plants?

23 On what date are container plants fully removed from cold weather protection?

24 Crop unit location map:

Small Blocks = 40 acres

SECTION			

Draw in nursery / unit locations with identifying roads and landmarks. Prepare a location map showing the unit as applicable as well as other property units owned, share rented and land physically separated by another farm operator. The map itself should be detailed showing landmarks and crops grown by the insured.

Is a hand sketched map attached? _____

Is an FSA aerial photo attached? _____

25 Additional information and comments:

	ABOVE AVERAGE	AVERAGE	BELOW AVERAGE
26 A. Your evaluation of the management of this operation:	_____	_____	_____
B. Your evaluation of the nursery:	_____	_____	_____

27 Action recommended:

Acceptance Rejection RSO Field Review Company Representative

Certified Inspector	Date	Supervisor	Date
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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 10 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

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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

NURSERY UNDERWRITING INSPECTION REPORT

Note: Complete an inspection report for each location inspected.

The following entries are required for the Nursery Underwriting Inspection Report. The format and the sequence of the items on the form will be determined by the format selected by the company.

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

IDENTIFYING THE INSURED

Crop year

Name of applicant

Unit number

Acres (Field grown and containerized plants. List number of acres for each practice separately)

Practice (List field grown or containerized or both practices)

Contract number

Name of Operator

Name of Agent/Agency and phone number

Legal Description

Location Description

Site Information

UNDERWRITING QUESTIONS

Is the nursery site susceptible to flood damage? Check Yes or No

If yes, describe in detail what precautions have been taken to protect the container/in-ground stock

IRRIGATION FACILITIES

Describe in detail the irrigation water source.

Surface water supply as a percentage of total supply.

Irrigation district name.

Allocation last year as a percentage of normal usage.

Expected allocation as a percentage of normal usage.

Water impoundment. State size and how many.

Rivers/creeks. State number of months available as a supply.

Type of irrigation method. Overhead, Drip or trickle system, Other.

Irrigation well(s) as a percentage of total supply used.

Irrigation district name.

Allocation last year as a percentage of normal usage.

Expected allocation as a percentage of normal usage.

Number of wells.

Gallons per minute.

Other supply (include size and number).

EXHIBIT 3

OTHER SITE OBSERVATIONS

Describe in detail the fertilization program used and any special requirements by plant species.

Describe in detail weed control measures.

Describe in detail wildlife control measures.

Do any plant species show evidence of insect or disease infestation? If so, document what is being done as control measures.

Are plants being grown in appropriate growing medium according to accepted industry standards?

FROST FREEZE

Is the unit subject to above normal frost hazard?

Has winter damage occurred the previous year that will affect this year's production?

Frost/Freeze protection, check and enter type: None, Sprinklers, Hoop house, Poly, Greenhouse, Heat.

Does this site location aid in frost protection?

Average number of times per year that frost protection is utilized?

USDA Hardiness Zone for the nursery location.

Are adequate facilities available to meet over-winterization requirements required by the EPL/PPS?

Note any deficiencies.

By what date does the nursery normally complete cold weather protection of container plants?

On what date are container plants fully removed from cold weather protection?

Hand sketch a map or provide an FSA aerial photo showing the unit in detail indicating other owned or share rented locations, landmarks and nursery crops grown by the insured.

Provide additional information and comments as necessary.

INSPECTOR'S EVALUATION

The inspector's evaluation of the management of the nursery as to whether it is above average, average, or below average.

The inspector's evaluation of the nursery facilities and operation as to whether it is above average, average, or below average.

Inspector's recommendation as to accept, reject or refer to company representative.

SIGNATURES

Inspector signs and dates on the date of inspection.

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

EXHIBIT 4

MINIMUM AND MAXIMUM PLANT SIZES BY CROP TYPE

Two crop types have a high/wide (seedling) range. To qualify for the seedling range the trees must be Coniferous Evergreen (CE) or Deciduous Tree (DT) type and the trees must measure a minimum of 6 inches but less than 18 inches tall. Do not round qualifying measurements. Seedlings that are less than 6 inches tall are not insurable. Eighteen-inch trees will be insured according to the individual plant prices shown on the EPL/PPS.

The lower of the EPL/PPS price or the grower's lowest wholesale catalog price will be the price for each tree in the seedling range.

Plants that are larger than maximum size listed below will use the price of the largest size listed on the EPL/PPS for the plant to determine the price election (subject to the "lower of" rule).

Size Plant Limits

Crop Type		Container Size (Gallons)		Field Grown Caliper (Inches)		Field Grown High/Wide (Inches) (Feet)	
		Min	Max	Min	Max	Min	Max
Name	Code						
Annuals	(AN)	0.08	5	n/a	n/a	n/a	n/a
Broadleaf Evergreen Shrubs	(BS)	0.08	100	n/a	n/a	6 in.	12
Broadleaf Evergreen Trees	(BE)	0.08	100	7/16	6	18 in.	30
Coniferous Evergreen Shrubs	(CS)	0.08	65	n/a	n/a	6 in.	12
Coniferous Evergreen Trees	(CE)	0.08	65	7/16	6	Seedling	20
Deciduous Shrubs	(DS)	0.08	65	n/a	n/a	6 in.	12
Deciduous Trees	(DT)	0.08	100	7/16	6	Seedling	20
Foliage	(FO)	0.08	65	n/a	n/a	n/a	n/a
Fruit & Nut Trees	(FN)	0.08	65	7/16	4	18 in.	10
Ground Cover & Vines	(GC)	0.08	10	n/a	n/a	6 in.	5
Herbaceous Perennials	(HP)	0.08	25	n/a	n/a	n/a	n/a
Roses	(RO)	0.08	5	n/a	n/a	6 in.	5
Small Fruits	(SF)	0.08	10	n/a	n/a	6 in.	5

**EXHIBIT 5
FCIC CONTAINER SIZES**

Container sizes are determined on an actual volume basis for purposes of determining the size of the container on the EPL/PPS. The FCIC container sizes and volumes are shown below.

FCIC SIZE NAME	GALLON MEASUREMENT		CUBIC INCH EQUIVALENT		INCLUDES STANDARD ANSI CLASS
	MINIMUM	MAXIMUM	MINIMUM	MAXIMUM	
POT	0.08	0.19	18	45	SP3
1 QUART	0.20	0.39	46	91	SP4
2 QUART	0.40	0.59	92	137	SP5
1 GALLON	0.60	1.37	138	318	1
2 GALLON	1.38	2.49	319	576	2
3 GALLON	2.50	3.39	577	784	3
5 GALLON	3.40	5.77	785	1,334	5
7 GALLON	5.78	8.49	1,335	1,962	7
10 GALLON	8.50	11.97	1,963	2,766	10
15 GALLON	11.98	17.49	2,767	4,041	15
20 GALLON	17.50	22.49	4,042	5,196	20
25 GALLON	22.50	29.79	5,197	6,883	25
30 GALLON	29.80	32.49	6,884	7,506	N/A
35 GALLON	32.50	37.49	7,507	8,661	N/A
40 GALLON	37.50	42.49	8,662	9,816	N/A
45 GALLON	42.50	47.49	9,817	10,971	N/A
50 GALLON	47.50	52.49	10,972	12,126	N/A
55 GALLON	52.50	57.49	12,127	13,281	N/A
60 GALLON	57.50	62.49	13,282	14,436	N/A
65 GALLON	62.50	67.49	14,437	15,591	N/A
70 GALLON	67.50	72.49	15,592	16,746	N/A
75 GALLON	72.50	77.49	16,747	17,901	N/A
80 GALLON	77.50	82.49	17,902	19,056	N/A
85 GALLON	82.50	87.49	19,057	20,211	N/A
90 GALLON	87.50	92.49	20,212	21,366	N/A
95 GALLON	92.50	97.49	21,367	22,521	N/A
100 GALLON	97.50	102.49	22,522	23,676	N/A