



United States
Department of
Agriculture

Risk Management
Agency

Davis, California
Regional Office

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INFORMATIONAL MEMORANDUM

To: Reinsured Companies

From: Nancy Beaumont /s/ *Nancy Beaumont*
Director

SUBJECT 2008 Regional Approved Insurance Provider (AIP) Underwriting Guidelines for Category C Perennial APH Crops (2009 crop year for Citrus and Macadamia Nuts).

ISSUE:

For 2008/2009 crop year, the Davis Regional Office (RO) is issuing AIP Underwriting Guidelines. These procedures apply to states serviced by the Davis RO: Arizona, California, Hawaii, and Utah.

BACKGROUND:

The 2007 Crop Insurance Handbook (FCIC 18010) Sections 7D (1) and F (3) authorizes the Risk Management Agency (RMA) Regional Offices (RO) to issue Perennial Crop Underwriting Guidelines and provide authorization to AIPs for calculating approved Actual Production History (APH) yields. CIH Section 7F(2)(b) provides procedure and formulas designed to identify and adjust high variability perennial crop yields that indicate patterns of alternate bearing years or downward trends in productivity. Sec. 7F(2)(a) and (c) thru (f) outline instances when RMA RO approved yields are required, this includes instances when RO coverage review is marked on question 37 on the Pre-Acceptance Perennial Crop Inspection Report. To expedite the approved yield process and to decrease the number of requests received in the RMA RO, we set forth the following guidelines.

ACTION:

A. GENERAL REQUIREMENT:

When a policy triggers pre-acceptance field inspection selection criteria (tolerance guidelines) outlined in Section 7F (2) in the 2007 Crop Insurance Handbook (CIH) requiring Regional Office (RO) yield determination, the following information, for all **applicable** blocks/units by practice, type, and variety (P/T/V) must be acquired, and if applicable submitted:

1. Supporting documentation as outlined in Section 7F (6): RMA RO Determined Yield Request(s), updated Actual Production History forms, hard copy records of acreage and production, Producer's Pre-Acceptance Worksheet(s), Pre-Acceptance Perennial Crop Inspection Report, and



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Applicable Crop Addendum Worksheet(s). Do not send hard copy evidence into the Davis RMA RO, unless requested.

2. Approved Insurance Provider (AIP) provides a current Pre-Acceptance Perennial Crop Inspection (five years old or less) as outlined in Section 7F(1)(c). Also, note in the Additional Procedures section of this letter, the RMA RO is requesting a recent inspection (2006 [20076 Citrus/ Mac Nuts] crop year or newer) according to Section 7F(1)(c) for administrative reviews regarding blocks or units being adjusted according to high variability or downward trend procedures.

B. YIELD SUBSTITUTION (YA) (SIXTY PERCENT 60% T-YIELDS):

Yield Substitution (YA) (Sixty percent (60%) T-Yields) [Section 13D (7)] generally do not apply to blocks or units (by P/T/V) in special cases referred to the RMA RO for yield determination, including those cases waived for company approval. Cases identified in Section 7F(2)(b) that are waived by the RMA RO may be eligible for Yield Substitution if qualified and elected by the insured, as determined by the RMA RO. In these cases, the AIP is authorized to use YA by showing only the RMA RO approved yield indicator "F" with no special case yield indicator and the appropriate flag when yield substitutions is elected.

For example, a unit meets the definition of a downward trend in the CIH; however, the RO Waiver Letter waives the application of the downward trend yield adjustment.

<u>Year</u>	<u>Yield</u>	<u>YA Yield</u>	
2003	1,800		Simple Average Yld: 1,040
2004	1,500		Low Yrs: 1,040 x .75 = 780; Yrs* < 780; 2 yrs in
2005	100*	720	5 yrs; T Yield: 1200
2006	550*	720	Three Yr Ave: 633 Trend Factor = 633/1,040= .61
2007	1,250		Approved Yield = 1,198 F

C. HIGHER YIELD REQUESTS:

CIH procedures in section 7F(2)(a) allow the insured to request a RMA RO determined yield greater than the average APH yield with reasonable cause. Cases requesting a higher yield than the average yield require the information requested in item 1 above. In addition, the insured needs to provide written explanation as to the reasonable cause for the higher yield. For older blocks or units that should have four years of insurable yield history, approve the Average APH Yield using standard APH procedures if none of the following conditions applies:

- 1) Contains bearing acreage coming into insurable production;
- 2) Changes in farming, management, or cultural practices; or
- 3) Removal of older blocks or portions of the block.

D. YIELD TREND EXCEPTIONS:

Trend tolerance guidelines contained in Section 7F (2) (b) 2 of the CIH, apply to individual blocks or units by P/T/V, which meet the criterion of a downward trend. The following modified procedures apply:

AIP approves the Average APH Yield for a block or unit that meets the definition of a downward trend, and does not meet any one of the following three additional criteria:

- 1) Both of the previous two (2) years are less than 75% of the Average APH Yield; or
- 2) Three (3) or more years are less than 75% of the Average APH Yield in the last four (4) or five (5) years (except prunes);

For all crops except prunes, use either criterion 1 or 2 in determining whether a block or unit requires an RMA RO determined yield according to the formula below. For prunes, apply criterion 1 above in determining whether a block or unit requires an RMA RO determined yield according to the formula below.

The downward trend factor is determined by dividing the most recent three-year average yield by the Average APH Yield and finding the corresponding yield adjustment factor. The yield Adjustment Factor is then used to determine the Approved APH yield.

Approved APH Yield = Average APH Yield x Yield Adjustment Factor.

Downward Trend Factor ¹	Yield Adjustment Factor (YAF)
1.0 - .75	1.00
.74 - .65	0.80
.64 - .55	0.70
.54 - .45	0.60
.44 - .35	0.50
.34 - .25	0.40
.24 - 0.0	0.30

¹ Round to the nearest 100th

Example: Grower reports the following:

Year	Yield	Calculations:
2002	1,500	Simple Average Yld: 950
2003	1,800	Low Yrs: $950 \times .75 = 713$; Yrs* < 713; 3 yrs in 5 yrs
2004	500*	Three Yr Ave: 633
2005	1,250	Trend Factor = $633/950 = .67$
2006	550*	Use a YAF = .80
2007	100*	$950 \times .80 = 760$

Blocks or Units that meet the CIH selection criteria F (2) (b) 2, that do not meet the additional criteria in 1 or 2 above, shall be reported as RMA RO determined yields with “F” yield indicator and with no special case yield indicator and appropriate flag when “YA” applies. If adjusted by the above formula report as a RMA RO determined yield with “F” yield indicator and special case “F” yield indicator.

ADDITIONAL PROCEDURES:

- The Crop Insurance Handbook in Section 7F(5)(a) states that the information must be submitted to the AIP or RMA RO 30 days after the Production Reporting Date (PRD). Paragraph 5b allows the RMA RO to extend the date for submission to the RMA RO to 60 days past the PRD. The extended submission date applies only to those contracts, blocks, or units requiring RMA RO yield determination.

Crops:	PRD	60 days
Almonds	1/31	3/31
Apples AZ/UT	1/04	3/04
CA	1/31	3/31
Avocado	1/04	3/04
Figs	4/14	6/13
Stonefruit	3/01	4/30
Apricots, Nectarines, Clingstone Peaches, Freestone Peaches		
Citrus	1/04	3/04
Grapefruit, Lemons, Mandarins, Minneola & Orlando Tangelos, Navels, Sweet, & Valencia Oranges		
Grapes	3/17	5/16
Mac Nuts	2/14	4/14
Pears	1/31	3/31
Plums	3/01	4/30
Prunes	3/01	4/30
Table Grapes	3/17	5/16
Walnuts	3/17	5/16

- Contracts submitted to the RMA RO for Higher Yield requests outlined in this letter received more than 60 days after the PRD will receive an approved yield based CIH procedures or this letter.
- RMA RO Approved Yields determined from formulas stated in the Crop Insurance Handbook or this letter would follow administrative review deadlines stated in CIH Section 11A. Please include a copy of the written notification to the insured of the adverse decision. If a grower requests that the yield be reviewed by the RMA RO, the AIP needs to submit the grower's request in writing, a recent (2006 [2007 Citrus/ Mac Nuts] crop year or newer pre-acceptance inspection report, and all other documentation as outlined in 1) above. The grower's letter needs to provide justification to approve the average APH yield.

Please contact us if you have any questions or if we can be of any assistance.