



United States
Department of
Agriculture

Risk Management
Agency

Davis, California
Regional Office

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09/13/2005

INFORMATIONAL MEMORANDUM

To: Reinsured Companies

From: Bill Murphy /s/ *Bill Murphy*
Director

SUBJECT: 2006 Regional Approved Insurance Provider (AIP) Underwriting Guidelines for Category C Perennial Crops (2007 crop year for Citrus and Macadamia Nuts).

ISSUE:

For 2006/2007 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 2006 Crop Insurance Handbook (FCIC 18010) Sections 7D(1) 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) and R&D-05-039, provides procedure and formulas designed to identify and adjust high variability perennial crop yields that indicate patterns of alternate bearing years or downward trends in productivity. Section 7F(2)(b)⁴ provides procedure for RMA RO Determined Yield request(s). Sec. 7F(2)(a) and (c) thru (f) outline instances when RMA RO approved yields are required. 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:

1 General Requirements:

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

- A Supporting documentation as outlined in Section 7F(6): Actual Production History forms, hard copy records of acreage and production, Producer's Pre-Acceptance Worksheet(s), Pre-Acceptance Perennial Crop Inspection Report and Applicable Crop Addendum Worksheet(s), and if applicable, RMA RO Determined Yield Request(s). Do not send hard copy evidence into the Davis RMA RO, unless requested.

B Approved Insurance Provider (AIP) provides a current Pre-Acceptance Perennial Crop Inspection (five years old or less) as outlined in Section 7F (1) (c) or (d). Also note in the Additional Procedures section of this letter the RMA RO is requesting a recent inspection (2004 [2005 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.

2 Yield limitations (CUPS) / Substitution (YA) (Sixty percent 60% T-Yields) in Reference to 3 & 4 & 5 below:

Yield limitations (CUPS) [CIH Section 7J(6), and 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 or submitted to the RMA RO as a request for higher yield may be eligible for Yield Substitution if qualified and elected by the insured, as determined by the RMA RO. However, all other CIH procedures apply.

3 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 a 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:

- A Contains bearing acreage coming into insurable production;
- B Changes in farming, management, or cultural practices; or
- C Removal of older blocks or portions of the block.

4 Yield Trend Exceptions:

In accordance with trend tolerance guidelines contained in Section 7F(2)(b)2 of the CIH, if the policy contains blocks or units by P/T/V, which meet the criterion of a downward trend, the following procedures apply:

AIP approves the Average APH Yield, without the CIH formula for a block or unit that meets the definition of a downward trend, and does not meet one of the following additional criteria:

- A Both of the previous two (2) years are less than 75% of the Average APH Yield (except prunes); or
- B 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); or
- C Four (4) or more years are less than 75% of the Average APH Yield in the last four (4) or five (5) years (prunes only).

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

$$\text{Approved APH Yield} = \text{Average APH Yield} \times \text{Yield Adjustment Factor.}$$

The downward trend factor determined by dividing the most recent three-year average yield by the Average APH Yield is used to determine the 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:
2000	1,500	Simple Average Yld: 950
2001	1,800	Low Yrs: 950 x .75 = 713; Yrs* < 713 3 yrs in 5 yrs
2002	500*	Three Yr Ave: 633
2003	1,250	Trend Factor = 633/950 = .67
2004	550*	Use a YAF = .80
2005	100*	950 x .80 = 760

Blocks or Units that meet the CIH selection criteria F(2)(b)2, that do not meet the additional criteria in A, B, or C above, should be reported with yield indicator “D”, if adjusted by the above formula report with “F” yield indicator only.

ADDITIONAL PROCEDURES:

- AIP is authorized to approve average yields for situations via guidelines outlined above in part 4.
- If the AIP chooses to not approve average yields for situations via guidelines outlined above in part 4, then the AIP sends them to the RMA RO.
- The waiver is not applicable to policy blocks or unit when answering either 'YES' to question 22 and 23 or 'NO' to question 24 of the Producer Pre-Acceptance Worksheet or marking the RO Coverage Review on question 37 of the Pre-Acceptance Perennial Crop Inspection Report.
- The Crop Insurance Handbook in Section 7F(5)(a) states that the information has to 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 production reporting date. The extended submission date applies only to those contracts, blocks, or units requiring RMA RO yield determination.

Crops:	PRD	60 days
Almonds	1/31	4/01
Apples AZ/UT	1/04	3/04
CA	1/31	4/01
Avocado	1/04	3/04
Figs	4/14	6/14
Stonefruit	3/01	5/01
Apricots, Nectarines, Clingstone Peaches, Freestone Peaches		
Citrus	1/04	3/04
Grapefruit, Lemons, Mandarins, Minneola & Orlando Tangelos, Navels, Sweet, & Valencia Oranges		
Grapes	3/17	5/17
Mac Nuts	2/15	4/15
Pears	1/31	4/01
Plums	3/01	5/01
Prunes	3/01	5/01
Table Grapes	3/17	5/17
Walnuts	3/17	5/17

- Contracts submitted for RMA RO Yield determinations for downward trend received more than 60 days after the PRD will receive an approved yield based on item 5 or CIH procedures (e.g. variable T-Yield, high yield variability) in order of precedence unless assigned yield provisions or other CIH procedure applies.
- RMA RO Approved Yields determined from formulas stated in the Crop Insurance Handbook, R&D-05-039 or this letter will 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 (2004 [2005 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.