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Agriculture



Risk
Management
Agency

Product
Administration &
Standards
Division

FCIC 24160 (11/06)

2007 SWEETPOTATO PILOT PROGRAM INSURANCE UNDERWRITING GUIDE

Underwriting and Actual Production History (APH) Standards for Catastrophic (CAT), and Additional Coverage Multiple Peril Crop Insurance (MPCI) Contracts

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RESERVED

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

FEDERAL CROP INSURANCE CORPORATION DIRECTIVE		NUMBER: 24160 (11-06)
SUBJECT: SWEETPOTATO PILOT PROGRAM INSURANCE UNDERWRITING GUIDE 2007 AND SUCCEEDING CROP YEARS	DATE: November 2006	
	OPI: Product Administration and Standards Division	
	APPROVED: /s/ <i>Tim B. Witt</i> <i>Deputy Administrator, Product Management</i> <i>November 28, 2006</i>	

This underwriting guide contains the official FCIC approved underwriting instructions under policy 06-085 for 2007 and succeeding crop years. The instructions in this guide are effective upon issuance and are not retroactive to any previous crop year determinations completed prior to the approval date of this guide. All reinsured companies will utilize these standards for both underwriting and training unless a company has developed and FCIC has approved procedures applicable for that company.

1. PURPOSE

To provide instructions for establishing crop insurance coverage, and to adjust losses in accordance with the Sweetpotato Pilot Program Crop Provisions (06-085), and as a supplement to the Crop Insurance Handbook (FCIC 18010), the Loss Adjustment Manual (FCIC 25010), the Sweetpotato Pilot Program Loss Adjustment Standards Handbook (FCIC 25620), and any other issuance that may be referenced herein.

2. STANDARDS AND INSTRUCTIONS

A. OPERATIONAL REFERENCES.

In general, the FCIC 18010 Crop Insurance Handbook (CIH), FCIC 25010 Loss Adjustment Manual (LAM), and FCIC 25620 Sweetpotato Pilot Program Loss Adjustment Standards Handbook, apply to the Sweetpotato Pilot Program insurance program. Exceptions, changes, and additions are referenced in this guide.

All procedures, rules, and requirements for Category B APH crops apply to sweetpotatoes, and are supplemented with additional instructions in this underwriting guide.

NOTE: IF A CONFLICT EXISTS BETWEEN THE LANGUAGE OF THIS GUIDE AND THE CROP INSURANCE HANDBOOK (CIH), LOSS ADJUSTMENT MANUAL (LAM), OR THE SWEETPOTATO PILOT PROGRAM LOSS ADJUSTMENT STANDARDS HANDBOOK (LASH), THE LANGUAGE OF THIS GUIDE WILL CONTROL.

B. OVERVIEW OF CHANGES

Listed below is a brief overview of the changes that have the most significant impact. Not all changes, including typographical errors and minor corrections are listed.

Page(s):

13 Sec. 8.C. Corrected example 3(1)(e) of the indemnity calculation to correctly show the production to count being pro-rated when planted acres exceed 110% of share of harvested acres.

C. CANCELLATION

A Effective Date. Upon approval.

B Replaces. Sweetpotato New Pilot Underwriting Guide 24160 issued 11/05.

C Filing Instructions.

Remove

Entire Underwriting Guide

Insert

New Underwriting Guide

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

3. CROP INSURANCE HANDBOOK

Changes and additions to the FCIC 18010 Crop Insurance Handbook (CIH) for Sweetpotato Pilot Program are described in this section.

A. Definitions. – CIH Section 3

The following definition is used in lieu of the definition contained in the CIH:

(1) Transitional yield (T-yield). In lieu of the definition contained in 7 C.F.R. part 400, subpart G (7 CFR 400.52), a yield determined as the simple average of the three most recent years of actual yields that you certified on the production report to be used in the APH yield calculation process when fewer than four consecutive crop years of actual or assigned yields are available, or the average of all actual yields certified on the production report for the purposes of yield substitutions.

B. General Rules. – CIH Section 4

The general rules for crop insurance, as outlined in Section 4 of the CIH, shall apply to the Sweetpotato Pilot Program.

C. Underwriting and APH Responsibilities (Category B & C APH Crops). – CIH Section 5

The Sweetpotato Pilot Program was considered a new pilot for 2005. Yields certified on a production report for the previous pilot cannot be accepted. Loss records from the previous pilot must be included in the certifications for the new pilot.

(1) Section 5 of the CIH is amended as follows. All other provisions of Section 5 remain in effect.

- (a) 5A(7) Obtaining Supporting Production Records. The agent/representative must forward copies of the supporting documentation to the verifier for all applications.

- (b) 5A(11)(a). When necessary, for the purposes of completing the APH yield requirement, the *T*-yield is calculated by combining the actual yields from the production report for all basic units in the policy and computing the simple average of such combined yields. Using a yield indicator and yield type of “K” insert the result as necessary for basic units that have fewer than four years of actual yields. Use the following example for guidance:

Example:

	Basic Unit			
Crop Year	Unit 00100	Unit 00200	Unit 00300	Unit 00400
2000		A40		
2001	A70	A80		
2002	A65		A75	
2003		A70	A80	
2004	A80	A85		A75

In this example a *T*-yield would need to be computed to complete the APH requirements for units 00100, 00300, and 00400. This would be done by taking all of the actual yields from all available units and coming up with a simple average. The *T*-yield would be computed in the following manner:

$$(70+65+80+40+80+70+85+75+80+75 = 720) / 10 = 72 \text{ } T\text{-yield}$$

Since there are at least three years of actual yields on the crop as a whole, 100% of the computed *T*-yield would be used to complete the yield table.

This should always be the case since there is an eligibility requirement of having produced sweetpotatoes in three of the most recent five years.

Once the computation above has been made, the result would then be inserted where appropriate and the table of yields would look like this:

Crop Year	Basic Unit			
	Unit 00100	Unit 00200	Unit 00300	Unit 00400
2000		A40		
2001	A70	A80	K72	K72
2002	A65		A75	K72
2003	K72	A70	A80	K72
2004	A80	A85	K72	A75

There are now four years of yields in each unit to complete the APH requirements.

D. Category B APH Crop Procedures. – CIH Section 6

- (1) Section 6 of the CIH is amended as follows. All other provisions of Section 6 remain in effect.
 - (a) The multipurpose worksheet shown on page 105 is to be used as follows whenever the applicant has records only of the production packed-out from storage.
 1. Column 1. Total quantity of US #1 pack-out (cwt)
 2. Column 2. Total quantity of Jumbo pack-out (cwt)
 3. Column 3. Sum columns 1 and 2
 4. Column 4. Multiply column 3 by factor of 1.70.
 5. Column 5. Enter planted acres from production report
 6. Column 6. Divide column 4 by column 5
 - (b) Section 6I Yield limitations. This section does not apply to sweetpotatoes.
 - (c) Section 6J APH Provisions by Crop.
 1. Sweetpotatoes.
 - a. Acceptable supporting records. For production that is sold or delivered at time of harvest, settlement sheets must indicate either the gross weight (sweetpotato production minus dirt and foreign material) or net sorted weight or graded weight with weight of each grade explicitly included. The supporting records may also indicate the number of storage bins or shipping containers. The

production in the bins would then need to be converted to weight. If the weight of the bin is known, for example 800 lb. or 1,000 lb. bins, then the conversion would simply be the number of bins times the bin size. This result would then be divided by 100 lbs. to arrive at the cwt. weight. If the weight of the bin or container is unknown or in question, a conversion of volume to weight at a conversion factor of 42.83 lbs./ft³ should be used.

- 1 Example: If the producer has delivered 215 containers designated as 1,000 lb. to the packer, the production is 215,000 lbs.

$$215 \times 1,000 \text{ lbs.} = 215,000 \text{ lbs.} = \frac{215,000 \text{ lbs.}}{100 \text{ lbs./cwt.}}$$

- 2 Example: A volume of sweetpotatoes measures 12 feet by 16 feet by 8 feet. The volume is 1,536 cubic feet. The weight is therefore 1,536 ft³ X 42.83 lbs./ft³ or 65,787 lbs. 65,787 ÷ 100 lbs. = 657.9 cwt.

- b. If records certified by the PRD do not include the gross weight, the factor 1.70 must be used to convert the pack-out weight to field pack production.
 - 1 Example: A producer reported pack-out weight of 75 cwt., which is supported by acceptable production records. The producer did not have acceptable production records to verify field pack production. The field pack production is then estimated as follows: 75 cwt. reported pack-out x 1.70 conversion factor = 131 cwt. field pack production.

E. Category C APH Crops (Perennial Crops). – CIH Section 7

Not applicable.

F. Other Coverage Plans. – CIH Section 8

Not applicable.

G. Use of the APH Form. – CIH Section 9

- (1) All provisions of Section 9 apply with the following additional requirement.

- (a) 9C – Preparation of the APH Form.

1. Separate databases must be established for field pack production and the pack-out of US #1 sweetpotatoes.
 - a. Use the upper half of the form to enter field pack production and acreage and the lower half to enter the pack-out of US #1 sweetpotatoes. The acreage will be the same in both the upper and the lower sections.
 - b. Enter “pack-out” in the type field in the lower half of the form. Use the code “PE” to identify those units for which the 1.70 factor was applied.

H. Acreage and Production Evidence Requirements. – CIH Section 10

(1) 10(C)(1) – Supporting Evidence.

- (a) In addition to the forms of evidence identified in Section 10(C)(1), the report of acreage filed with the designated agency in the state may be used for crop insurance. For example, if growers are required to file acreage reports with a bona fide growers association or state department of agriculture, then acreage reports filed with such entities may be used for crop insurance.

I. Reconsiderations, Mediation, and Appeals. – CIH Section 11

The process for implementation and remediation of adverse decisions (as defined in CIH Section 11) shall apply to the Sweetpotato Pilot Program.

J. Actuarial Data. – CIH Section 12

Publication of actuarial documents and related information (e.g., county coverage and rate document, special provisions of insurance, classification documents, FCI-33 crop insurance actuarial map) as outlined in Section 12 of the CIH shall apply to the Sweetpotato Pilot Program.

K. APH Yield Adjustment. – CIH Section 13

Procedures set forth in CIH Section 13 regarding APH yield adjustment shall apply to sweetpotatoes with the exception that the *T*-yield is calculated using the method described Sec. 3C(1)(b) of this underwriting guide.

L. APH Review Requirements. – CIH Section 14

Companies will follow APH review procedures as outlined in Section 14 of the CIH, as indicated in the event APH yield adjustment is required.

4. PREVENTED PLANTING LOSS ADJUSTMENT STANDARDS HANDBOOK

Prevented planting coverage for sweetpotatoes is not available.

5. LOSS ADJUSTMENT MANUAL (LAM)

The provisions set forth in the LAM shall apply to sweetpotatoes.

6. SWEETPOTATO LOSS ADJUSTMENT STANDARDS HANDBOOK (LASH)

The Sweetpotato Pilot Program Loss Adjustment Standards Handbook [LASH] (FCIC 25620) has been updated and revised to reflect the unique requirements of sweetpotato production and management. This revised LASH shall apply to the appraisal of sweetpotato production.

7. INSURABILITY AND ELIGIBILITY REQUIREMENTS

A. Production Experience.

In order for producers to purchase insurance coverage in the Sweetpotato Pilot Program, producers must have grown the sweetpotatoes in three of the five crop years prior to the sales closing date. Producers must submit copies of acreage and production data for all years of continuous records in which the producer planted, harvested, and sold sweetpotatoes.

B. Records.

For the purposes of this pilot program, all APH records must be sent to a verifier to assure the validity and accuracy of APH data.

C. Eligible Acreage.

- (1) The following acreage is not eligible for insurance coverage.
 - (a) Acreage identified by the official in the state as regulated or quarantined under witchweed eradication, weevil infestation, or other weed or insect infestation.
 - (b) Acreage that does not meet rotation requirements outlined in the Special Provisions.
 - (c) Acreage identified as uninsurable in the actuarial documents.
 - (d) Acreage planted into a field that was pasture in preceding crop year.
 - (e) Acreage that, during either of the previous two crop years, was planted to any other crop that was damaged by fungal, viral, or bacterial diseases that affect sweetpotatoes.

- (f) Acreage that, during either of the previous two crop years, was planted to any other crop that was damaged by insects or nematodes that affect sweetpotatoes.

D. Acreage Limitation.

Producers who purchase sweetpotato coverage can insure a maximum of 110% of the producer's share of the largest number of acres harvested (all varieties) in the most recent three crop years.

E. Practices.

Both irrigated and non-irrigated practices will be insurable, and will be listed in FCI-35.

F. Crop Scouting.

- (1) Producers who elect to purchase sweetpotato APH coverage under this pilot program, hereby agree to utilize best management practices (BMP's) in the planting and production of this crop. Producers agree to scout their crop at their own expense. The producer shall supply a copy of a scouting report made by an agricultural expert to the insurance provider within 7 calendar days after the latest date that scouting can be performed as specified in the special provisions.
- (2) The crop must be scouted by an agricultural expert at the times specified in the Special Provisions to document crop condition. Documentation shall include factors such as (see the scouting manual for more details):
 - (a) The date the scouting was performed.
 - (b) The growth stage of the crop.
 - (c) The number of acres inspected.
 - (d) The number of plants inspected.
 - (e) A statement on environmental conditions (e. g. flooding, drought, etc.)
 - (f) The per unit density of the plants.
 - (g) Crop vigor and condition.
 - (h) Disease incidence and severity (both for foliage and tubers).
 - (i) Nutrient deficiencies.
 - (j) Pesticide injury.
 - (k) Weed problems and control measures implemented.

- (l) Insect problems and control measures implemented.
 - (m) Other information as deemed necessary by agricultural experts familiar with the management of sweetpotatoes.
- (3) Results of scouting must be recorded on a form similar to a form approved by RMA. RMA may provide approved forms in the LASH or other supplemental materials.
- (4) Although the producer is expected to routinely scout the crop throughout the growing season, a professional scouting activity with associated documentation must be performed at the times specified in the Special Provisions.

G. Types and Varieties Insurable.

The cultivar “Beauregard,” planted for fresh market consumption, is the sweetpotato variety eligible for coverage under this Sweetpotato Pilot Program. Any additions to the Beauregard variety will be specified in the Special Provisions. Sweetpotatoes planted for processing will not be insurable. Only field pack production (measured per land acre) will be eligible for insurance coverage. Tuberous roots one and one-half inches in diameter or larger will be considered as field pack production. In terms of the U.S. Standards for Sweetpotatoes, this includes any combination of roots meeting size requirements for U.S. Extra No. 1, U.S. No. 1, and U.S. No. 2, based on physical characteristics, and those roots that are greater than thirty-six ounces (which are referred to as Jumbos).

H. Coverage Levels.

Eligible growers may select coverage from catastrophic (CAT) levels through 75% of APH yield. Coverage levels >75% will not be offered in this pilot program for sweetpotatoes.

I. Insurable Units.

Coverage will be available for basic units only.

J. Late Planting.

Late planted acreage must be reported as uninsurable.

K. States and Pilot Counties/Parishes.

- (1) This Sweetpotato Pilot Program for sweetpotato APH coverage shall only be available in North Carolina, South Carolina, and Louisiana, and subsequently, shall be available only in selected counties (or parishes) within each state.

(a) North Carolina:

- 1. Nash;

2. Edgecombe;
3. Wilson;
4. Wake;
5. Johnston;
6. Wayne;
7. Greene;
8. Lenoir;
9. Duplin;
10. Sampson;
11. Cumberland;
12. Harnett; and
13. Columbus

(b) South Carolina

1. Horry

(c) Louisiana:

1. Avoyelles;
2. Evangeline;
3. St. Landry;
4. Acadia;
5. Morehouse;
6. West Carroll;
7. Franklin; and
8. Richland.

8. EXAMPLE INDEMNITY CALCULATION

A. Example 1: Loss of Yield Due to Poor Growing Conditions.

SWEETPOTATO PILOT PROGRAM INDEMNITY CALCULATION

Example 1: Loss of Yield Due to Poor Growing and Harvesting Conditions

Last Update: June 4, 2004

SUPPORTING INFORMATION

Acres:	100
Producer Average APH Yield:	125 cwt/acre
Coverage Level:	65%
Production Guarantee	8,125 cwt
Price Election:	\$12.00 per cwt
Share:	100%

EXAMPLE INDEMNITY CALCULATION FOR LOSS OF YIELD

Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6
CROP YEAR	ACRES PLANTED	(CWT/AC) ACTUAL YIELD	(CWT) PRODUCTION TO COUNT	(CWT) PRODUCTION GUARANTEE	TOTAL INDEMNITY
2005	100	45	4,500	8,125	\$43,500.00

- (1) A producer plants 100 acres of sweetpotatoes in 2005. Poor growing and harvesting conditions resulted in a yield of 45 cwt per acre (total production of 4,500 cwt). The producer had a production guarantee of 8,125 cwt. The indemnity received is calculated as follows:
- APH Yield. 125 cwt/acre
 - Coverage Level. 65%
 - Price Election. \$12.00/cwt.
 - Total Production Guarantee. 125 cwt/acre x 100 acres x 0.65 = 8,125 cwt.
 - Total Production Received (i.e., production to count). 45 cwt/acre x 100 acres = 4,500 cwt.
 - Indemnity. (8,125 production guarantee – 4,500 production to count) x \$12 per cwt. price election = \$43,500.

B. Example 2: Indemnity Due to Unharvested Production.

**SWEET POTATO PILOT PROGRAM
INDEMNITY CALCULATION
Example 2: Unharvested Production
Last Update: June 4, 2004**

SUPPORTING INFORMATION

Acres:	100
Producer Average APH Yield:	125 cwt/acre
Coverage Level:	65%
Production Guarantee	8,125 cwt
Price Election:	\$12.00 per cwt
Share:	100%
Pre-Harvest Adjusted Price:	\$8.00 per cwt

EXAMPLE INDEMNITY CALCULATION FOR UNHARVESTED PRODUCTION

Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6
CROP YEAR	ACRES PLANTED	(CWT/ACRE) ACTUAL YIELD	(CWT) PRODUCTION TO COUNT	PRODUCTION GUARANTEE	TOTAL INDEMNITY
2005	100	0	0	8,125	\$65,000.00

- (1) A producer plants 100 acres of sweetpotatoes in 2005. Poor growing conditions result in no harvestable production. The producer had a production guarantee of 8,125 cwt. However, since the producer did not incur harvest costs, the producer receives a pre-harvest adjusted price for computing the indemnity. This discounted price reflects cost savings incurred by the producer due to no harvest. The indemnity received is calculated as follows:
- (a) APH Yield. 125 cwt/acre
 - (b) Coverage Level. 65%
 - (c) Price Election. \$8.00/cwt. (pre-harvest value is utilized)
 - (d) Total Production Guarantee. 125 cwt/acre x 100 acres x 0.65 = 8,125 cwt.
 - (e) Total Production to count. 0 cwt/acre x 100 acres = 0 cwt.
 - (f) Indemnity. (8,125 production guarantee – 0 production to count) x \$8 per cwt. = \$65,000.00.

C. **Example 3: Maximum loss insured when planted acres exceed 110% of share of harvested acres.**

**SWEET POTATO PILOT PROGRAM
INDEMNITY CALCULATION**

**Example 3: Maximum loss insured when planted acres exceed 110% of share of harvested acres.
Last Update: November 2006**

SUPPORTING INFORMATION

Acres: 120
Producer Average APH Yield: 125 cwt/acre
Coverage Level: 70%
Production Guarantee: 10,500 cwt
Price Election: \$12.00 per cwt
Share: 100%

EXAMPLE INDEMNITY CALCULATION FOR PLANTING GREATER THAN 110% OF SHARE OF HARVESTED ACRES

Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	
CROP YEAR	ACRES PLANTED	ACRES HARVESTED	(CWT/ACRE) ACTUAL YIELD	(CWT)	PRODUCTION TO COUNT	PRODUCTION GUARANTEE	TOTAL INDEMNITY
				PRODUCTION			
2001	100	95	140				
2002	75	75	110				
2003	80	70	125				
2004	120	120	90	10,800			

- (1) A producer planted 100, 75, and 80 acres of sweetpotatoes in 2001, 2002, and 2003. In those same years, the producer harvested 95, 75, and 70 acres, with yields of 140, 110, and 125 cwt per acre respectively. The producer has 100% share in all acres.

In 2004, the producer planted 120 acres and harvested 120 acres. However, the acres planted in 2004 that are in excess of 110% of the share of the largest number of harvested acres in the three previous crop years are not insurable.

The calculation is as follows:

- (a) Largest number of harvested acres in 3 previous crop years: 95 acres.
- (b) Maximum insurable acres for 2004: 95 acres x 1.10 = 104.5 acres.
- (c) Acres planted in 2004: 120 acres.
- (d) Acres not eligible for insurance in 2004: 120 acres – 104.5 acres = 15.5 acres.
- (e) Production to count in 2004: 10,800 cwt. x 104.5 acres / 120 acres = 9,405 cwt.
- (f) Total production guarantee: 104.5 acres x 125 cwt/acre x 0.70 = 9,144 cwt.
- (g) Indemnity: 9,144 cwt. production guarantee - 9,405 cwt. production to count = no indemnity due.