

**United States Department of Agriculture
Risk Management Agency**

Crop Insurance for Nurseries

Why and how it works

One of the most effective strategies used to reduce production risks, and the resulting loss of revenue, is crop insurance.

Crop insurance is a risk management tool that not only protects against losses, but also offers you the opportunity for more consistent gains. When used with a sound marketing program, crop insurance can stabilize your revenues and potentially increase your average annual profits.

Nursery crop insurance provides many important benefits, including:

- 1 Ensures a reliable level of cash flow;
- 2 Is a recommended loan collateral tool by many lenders;
- 3 Allows more flexibility in your marketing plan;
- 4 Adds confidence when following your planned strategies;
- 5 Provides stability for long-term business plans and family security; and
- 6 USDA shares in the premium costs (Multiple Peril Crop Insurance (MPCI) only).

Nursery crop insurance is available in all States provided these criteria are met:

- The plants must be produced by a business enterprise that derives at least 50 percent of its gross income from the wholesale marketing of plants.
- Insurance coverage applies to all field-grown and container nursery plants in the county that are: (1) shown on the Eligible Plant List; (2) meet all requirements for insurability; and, (3) grown in an appropriate medium using acceptable production practices.
- Stock plants or plants grown for sale as Christmas trees are not insurable. An inspection of the nursery must be performed by the insuring company before insurance coverage begins.

Important definitions

Important policy definitions you should be familiar with to help you understand your nursery policy include:

Plant Inventory Value Report (PIVR) is your report that declares the value of insurable plants in accordance with the policy. You are required to have a plant-inventory-value report for field-grown and container plants. Two copies of your most recent wholesale catalog or price list must accompany your insurance application.

Container-grown plants are nursery plants that are planted and grown in standard nursery containers either above ground or placed in the ground, either directly or when placed in another pot in the ground.

Eligible Plant List (EPL) is a listing of insurable plants approved by USDA's Risk Management Agency (RMA). The *Plant Price Schedule* is a schedule of prices for insurable nursery plants.

The Eligible Plant List and Plant Price Schedule (EPL/PPS) is provided by RMA and is available on our Web site at www.rma.usda.gov/tools/ or from your crop insurance agent. To find an agent in your area, visit our agent locator at: <http://www3.rma.usda.gov/apps/agents/>.

Field-grown plants are nursery plants that are planted and grown in the ground without the use of an artificial, root-containment device.

Liners are insurable if the containers are equal to or greater than 1 inch in diameter but less than 3 inches in diameter at the widest point of the container or cell interior, have an established root system, and meet all other conditions specified in the Special Provisions.

Stock plants that are used solely for propagation during the insurance period or plants grown for the harvest of buds, flowers, or greenery are not insurable.

What is an insurance unit for nursery?

An insurance unit is the value of the insurable inventory and is used during a loss calculation. There are two types of units: (1) basic (by practice and share) and, (2) additional basic (by plant type). For Catastrophic coverage, a basic unit will consist of all insurable plants, by practice (container and field-grown), in which you have a share in the county.

For buy-up coverage, a basic unit is by practice/crop (container, field-grown) and share, allowing the practices and shares to be adjusted separately in the event of a loss. Also with buy-up coverage, additional basic units can be established for each insurable plant type. Therefore, you do not have to meet the deductible for the entire practice before a loss payment is triggered — only the deductible for that specific plant type. In addition, coverage levels can be selected on an additional basic unit basis.

There are 16 plant types, as listed below:

- Deciduous trees (shade and flower)
- Broadleaf, evergreen trees
- Coniferous, evergreen trees
- Fruit and nut trees
- Deciduous shrubs
- Broadleaf, evergreen shrubs
- Coniferous, evergreen shrubs
- Small fruits
- Herbaceous perennials
- Roses
- Ground cover and vines
- Annuals
- Foliage
- Palms and cycads
- Liners (container-grown only and inclusive of all insurable plant types)
- Other plant types, as listed in the Special Provisions

What coverage levels are available?

1) *Catastrophic or CAT*

The lowest level of coverage available is Catastrophic, or CAT, coverage which has a 50-percent deductible. Once you have met the deductible, CAT provides coverage on the remaining 50 percent of your insurable plant inventory at 55 percent of the price. Thus, for a total loss, CAT coverage would be a maximum of 27.5 percent of your plant inventory value. The only cost for CAT coverage is an administrative fee of \$300.

2) Buy-Up

Buy-up levels vary from 50 to 75 percent, in 5-percent increments, of your insurable plant inventory at 100 percent of the price. The cost of buy-up coverage depends upon the value of the plant inventory being covered. A crop insurance agent can provide you an insurance quote. You may also go to the RMA Web site and use the online premium calculator to get an estimate of what insurance would cost: <http://www3.rma.usda.gov/apps/premcalc/>.

Against what does nursery crop insurance protect?

Covered perils of the nursery program include: adverse weather; fire; wildlife; earthquake; volcanic eruption; frost and freeze if required protection is used; disease and insects for which there is no effective control; failure of power to the irrigation supply that is caused by a covered peril; and delay in marketability if such a delay results in the reduction in the value of your plants due to a covered peril that occurs within the insurance period.

Plant damage or losses in value because of the following situations are not covered: collapse or failure of buildings unless caused by insurable cause of loss; failure of plants to grow to an expected size; inadequate power supply unless caused by an insurable cause of loss; and inability to market nursery products.

What is the insurance period?

The insurance year starts on June 1 and ends May 31, with a 30-day waiting period before insurance attaches. Coverage begins the later of June 1 or 30 days after the insurance provider receives your signed application, so you need to submit your application by May 1 to ensure that you are covered for the whole year. For succeeding crop years, the insurance period begins at 12:01 a.m. each June 1, provided you submit a new Plant Inventory Value Report and two copies of your catalog.

Insurance ends on the earliest date of final adjustment of a loss when the total indemnities due equal the amount of insurance; removal of bare-root, nursery, plant material from the field; removal of all other insured plant material from the nursery; or 11:59 p.m. on May 31.

How much insurance will I have?

Coverage is based on the value reported, times the coverage level elected, times the price level, times the producer's share. You may increase the insurable value by revising your Plant Inventory Value Report, which must be made by May 1 of the current crop year. A 30-day acceptance period applies before the revised coverage attaches. You can make up to two revisions per basic unit, per year.

Can I tailor the nursery program to fit my needs?

Unlike traditional crop insurance policies, the nursery policy allows you to customize coverage to meet your specific risks. However, none of these endorsements are available at the CAT level of coverage.

The **Peak Inventory Endorsement** provides coverage for additional values as a result of increases in inventory without paying a full year's premium (for example, poinsettias in November and December). This endorsement allows you to pay a premium on a declared additional value for a specified period only. The limit on this endorsement is one per crop year, per practice. However, in the event of an insurable loss and a restock of inventory, you may purchase an additional Peak Inventory Endorsement.

The **Rehabilitation Endorsement** is for field-grown plants and covers rehabilitation costs, up to 75 percent of the plant's value, including pruning, setup labor, and material costs.

The **Pilot Nursery Grower's Endorsement** allows you to insure specific plants at prices higher than those shown on the Eligible Plant List/Plant Price Schedule. You must purchase this at the time you apply for coverage and it is NOT available in all States.

What do I do if I have a loss and how is my indemnity determined?

You must notify your agent within 72 hours of your initial discovery of damage and submit a claim for indemnity no later than 60 days after the end of the insurance period.

Here's how you would calculate your indemnity: you would take, for example, a plant inventory value of \$100,000 and multiply that by the coverage level you selected — let's say 65 percent. That gives you \$65,000 as the unit amount of insurance. Let's assume the field market value was \$100,000 before the loss occurred and only \$50,000 after the loss. You will need to subtract your deductible, which is figured by subtracting your coverage level from one and multiplying that by the plant inventory value of \$100,000. That equals a deductible of \$35,000. If your share of the crop is 100 percent, your indemnity payment would be \$15,000.

How do I get coverage and who can help me?

First, visit a local crop insurance agent. You can purchase nursery insurance anytime, with a 30-day waiting period before insurance attaches. Remember, you need to submit your application by May 1 to ensure that you are covered for the whole year.

Second, discuss your options with your agent. Your crop insurance agent is there to help you. Your agent is familiar with all of the features of the nursery insurance program, including endorsements, and understands the advantages and disadvantages of each type. Your agent can answer your questions and calculate your coverage and cost to help you determine the coverage that is right for you and your operation.

Third, complete an application for coverage and submit it to your agent on or before May 1. After this date, there is a 30-day waiting period before insurance attaches. Your agent will submit the application to the insurance company and, when it is accepted, you will receive a copy of your insurance policy.

For more information

Contact a private crop insurance agent or go to RMA's agent locator at:
<http://www3.rma.usda.gov/apps/agents/>.