

## **COP SUMMARY OF CHANGES TO THE LAM**

- 1 The FCIC 25010 Loss Adjustment Manual (LAM) Standards Handbook, in general, applies to the Cost of Production (COP) Insurance Program. All sections, definitions, and exhibits contained in the LAM apply to COP Insurance, EXCEPT as specifically stated below.
  
- 2 Specific procedures used in the appraisal and adjustment of production/yield determination can be found in the crop specific COP Insurance Loss Adjustment Standards Handbooks (LASH).
  
- 3 There exist several terms, references, and/or terminology unique to the COP Insurance program. When working a COP Insurance claim and accessing a specific section or paragraph(s) of the LAM, the following terms, references, and/or terminology should replace the comparable term, reference and/or terminology, in order to properly represent the COP Insurance program parameters.
  - A References to price election and/or production guarantee should be substituted with the words “covered expenses,” for the COP Insurance program.
  
  - B References to the Crop Insurance Handbook (CIH) should be substituted with the words, “COP Pilot Program General Underwriting Guide,” for the COP Insurance program.
  
  - C References to “replant payment(s)” should be replaced with “an increase in covered expenses due to replanting,” for the COP Insurance program.
  
- 4 COP Insurance is not applicable to Catastrophic Risk Protection (CAT) coverage. Therefore, Paragraph 2, Special Instructions should be amended to include the following item:  
  
2 C (13) COP Insurance
  
- 5 The following abbreviations should be included in Paragraph 4:  
  
COP – Cost of Production  
  
LDP – Loan Deficiency Payment
  
- 6 The following items should be added to Loss Adjustment Responsibilities, in Paragraph 8 B:
  - (7)(j) If the condition of the crop does not appear to correspond to the claimed fertilizer expenses, the insurance provider may obtain a soil sample to ascertain that the level of fertility represents the claimed fertilizer expense. In the event the

insurance provider chooses to obtain a soil sample to establish claimed fertilizer expenses, the insurance provider shall:

- 1 Utilize sampling procedures recommended by the local NRCS office, university extension, or other recognized methodology for accurately sampling soil for analysis purposes.
  - 2 Send such samples to a commercial testing facility for fertility analysis and confirmation of claimed fertilizer application rates.
  - 3 Hold the claim open until results of the testing process are completed and the results are provided.
  - 4 Discuss with the insured the results of the soil test and complete processing of the claim, either accepting the claimed fertilizer expenses or rejecting all or a portion of the claimed expense, depending on the result of the soil test.
- 21 If a contract price for all or a portion of the insured crop is not representative of the local market price for the crop, take a sample of the crop to buyers in the area to establish the price per unit.
- 22 Determine the total value of production (refer to Item 14 of this document and Paragraph 79.1 of the LAM).
- 23 Review the actual expenses listed on the insured's copy of the Covered Expenses Worksheet and verify that the variable expenses shown on the worksheet were actually expended to produce the crop insured. If the actual expenses for any variable expense category are less than those reported at the time of application, or the insured admits that all or a portion of a claimed expense was not expended, document the reduction in covered expenses on the claim form.
- 7 The following items should be added to Insured's Responsibilities, as Paragraph 9 D, E and F:
- D Provide documentation of the allowable income received, including but not limited to:
- (1) Receipts from commodity sales;
  - (2) Applicable USDA payments; and
  - (3) Verifiable commodity inventory.
- E List the **actual** expenses expended for each variable expense category on the insured's copy of the Covered Expenses Worksheet prior to the adjuster's farm visit.
- F Upon the insurance provider's request, provide documentation of variable expenses, including but not limited to:
- (1) Purchase receipts for all crop inputs for the insured crop;
  - (2) Records showing labor expense;

- (3) Accounting records of all prepaid expenses and carry-over input inventory and its value; and
  - (4) Other variable expenses.
- 8 The High Risk Land Exclusion Option is not available for COP Insurance. Therefore, Paragraphs 11B(1), 20A, and any other section referencing this option are not applicable to COP Insurance.
- 9 Replace subparagraph B on pages 31–33 with the following language for COP Insurance:
- C Counting Any Hail and Fire Indemnity as “Other Allowable Income”
- (1) If damage results from hail or fire and a hail and fire exclusion is in effect, the adjuster will record on the claim form as “Other Allowable Income” the amount of the hail or fire indemnity.
  - (2) If damage results from hail or fire and hail or fire was not excluded from the COP Insurance policy, the adjuster will record on the claim form as “Other Allowable Income” the amount of the hail or fire indemnity.
- 10 Optional units, the Unit Division Option, and separate units are not available under the COP Insurance program. Therefore, for a COP insured, the following Paragraphs 44 and 45 apply:

#### **44 UNIT VERIFICATION**

The insurance provider will verify the unit structure before payment of a COP claim. All acreage of the insured crop, wherever grown in the United States and COP Insurance is available, must be insured under COP. All acreage of the insured crop in the county will be insured as a single enterprise unit.

##### A Verifying Unit Structure

- (1) Understand the enterprise unit structure utilized by the COP Insurance program.
- (2) Use the procedure in Paragraph 45 (Unit Structures) below.
- (3) Verify the shares as reported by the insured and that the shareholders have an interest in the crop. If the adjuster suspects or questions whether there is an interest or that there are separate insurable interests (such as a spouse, children or other household members), contact the insurance provider.

##### B Incorrect Unit Reporting

Unit reporting errors will be corrected at loss time or upon discovery. Revising a Whole Farm Unit Structure to an Enterprise Unit Structure or vice-versa will not be permitted during the crop year.

## 45 UNIT STRUCTURES

- A Enterprise Unit – All insurable acreage of the insured crop in the county in which the insured has a share on the date coverage begins for the crop year.
- B Whole-farm Unit – All insurable acreage of the insurable crops in the county in which the insured has a share on the date coverage begins for each crop for the crop year. This unit is established from enterprise units as defined in section A.
- C Selection of unit structure – The insured may select a whole-farm unit if it is provided for in the actuarial documents subject to the following:
- (1) The insured must make such election by the earliest sales closing date for the insured crops.
  - (2) The insured must report such unit structure to the insurance provider in writing.
  - (3) The insured’s unit selection will remain in effect from year to year unless the insured notifies the insurance provider in writing by the earliest sales closing date for the crop year for which the insured wishes to change this election.
  - (4) The unit may not be further divided.
  - (5) If the insured selects and qualifies for a whole-farm unit, the insured will qualify for a premium discount.
  - (6) If the insured does not qualify for a whole-farm unit when the acreage is reported, the insurance provider will assign the enterprise unit structure.
  - (7) For a whole-farm unit:
    - (a) The insured must report on their acreage report the acreage for each enterprise unit in the county that comprises the whole-farm unit; and
    - (b) Although the insured may insure all of their crops under a whole-farm unit, the insured will be required to pay separate applicable administrative fees for each crop included in the whole-farm unit.
  - (8) The applicable unit structure must be stated on the acreage report for each crop year.

**NOTE: The adjuster should be aware that when working with the COP Insurance program, only enterprise units (or whole farm units if applicable) apply and references to either basic or optional units made in the LAM do not apply to the COP Insurance program.**

- 11 The reference in Paragraph 54 A (1) to self-certification replant inspections does not apply to the COP Insurance program. Self-certification for replant will not be available during the pilot phase of COP Insurance. Paragraph 54 C also does not apply.
- 12 In the event of a qualifying replant, all provisions of the existing replant language (with the exception of 55 G (3), which is not applicable) found in Paragraph 55 apply, except

that the replanted acreage will have an increase in covered expenses due to replanting, rather than a replant payment. The amount of the increase in covered expenses is specified in the Special Provisions. A revised Summary of Coverage will be issued by the insurance provider to show the increased liability.

- 13 The following language should be added to Paragraph 73 A:

For crop policies requiring value of production (e.g., COP Insurance), the insured is responsible for maintaining a formal written record system of variable expenses and should have those records available at any time a policy or claim may be audited or spot-checked for quality assurance (QA) purposes. If the insurance provider has reason to believe that the primary record does not provide accurate documentation of expenses, the insured may be asked to provide secondary supporting records to verify that the correct amount was reported. Secondary documentation includes accounting records, farm management records, payroll receipts, and/or canceled checks showing the banking institution's stamp of payment.

(1) Allowable expenses will be determined by dated RECEIPTS for, but not limited to, the following expenses:

- (a) Seed or plants;
- (b) Fertilizer;
- (c) Chemicals;
- (d) Fuel, Repairs and Maintenance, Utilities;
- (e) Irrigation (Water Charge);
- (f) Labor (including harvesting labor, hired labor and other non-owner labor); and
- (g) Expenses associated with post-harvest operations, including, but not limited to, ginning, processing, packing and selling, and marketing assessments.

- 14 The following verification procedures should be inserted as Paragraph 79.1:

**79.1 VERIFYING THE VALUE OF HARVESTED AND APPRAISED PRODUCTION AND OTHER ALLOWABLE INCOME**

A Allowable Income. Allowable Income will be determined by the following:

(1) Verifiable records, showing PRICE RECEIVED PER UNIT, as well as total PRODUCTION, from, but not limited to:

- (a) Commercial Elevators
- (b) Seed Companies
- (c) Packing Houses
- (d) Marketing Cooperatives
- (e) Mills
- (f) Warehouses

- (g) Gins
  - (h) Processors
- (2) Verifiable records may include a PRINTOUT or RECEIPT from each first handler for that crop year. Acceptable documentation includes, but is not limited to:
- (a) Warehouse receipts
  - (b) Pick Records
  - (c) Summary or Settlement sheets
  - (d) Sales Receipts
  - (e) Final or year-end statements from a processor or packing house
  - (f) Pool Statements
- (3) In addition to documentation for production sold, records pertaining to Government payments may also be requested at the time of claim. Acceptable documentation of Government payments includes, but is not limited to, RECEIPTS, LETTERS, and/or STATEMENTS showing payments made to, or applied for, by the producer.
- (4) In addition to documentation for production sold, records pertaining to indemnities claimed from named peril crop insurance (such as Hail Insurance) may be requested at the time of claim.
- (5) In addition to documentation for production sold, records pertaining to other allowable sources of income detailed in the Crop or Special Provisions, including the value of appraised production and production not sold, may be requested at the time of claim.
- (6) USDA payments that apply to the crop insured and may be further defined in the crop provisions. If LDP's apply, they are available daily at <http://www.usda.fsa.gov>.

**Note: For any appraised or unharvested production, unexpended expenses will be deducted from the insured's covered expenses. These unexpended expenses will include, but not be limited to: harvest expenses, chemicals and fertilizers not applied and associated application expenses, fuel, lube and utility expenses not incurred, and post-harvest expenses. The value of appraised production will be reduced by the same amount, not to be less than zero.**

- 15 When adjusting a claim for the COP Insurance program, the following Paragraph 84 will apply:

#### **84 GENERAL INFORMATION**

##### **A Reasons Why the Value of Production May Be Adjusted**

Adjustments to the value of appraised or harvested production may be considered based on the value offered or received for such production by buyers of the crop.

Adjustments are made only when they meet the requirements stated in the COP Basic, Crop, or Special Provisions. These adjustments must reflect causes of loss insured against and must be verified by the insurance provider when finalizing a claim for indemnity under the COP Insurance program.

**B Who Makes Adjustment Determinations**

The adjuster will obtain the value of production sold from settlement sheets or other documents, which specify the amount of production and the price paid for such production. The adjuster will obtain samples of mature unharvested, and harvested, unsold production of the crop and determine the price buyers will pay for such production as the value of such production.

**NOTE: Samples cannot be obtained by the insured or the insured's representative. Samples must be obtained by an adjuster or a disinterested third party.**

**C Production Disposed of Before Determinations Are Made**

(1) When the insured's interest is 100 percent in the crop:

Adjustments to the value of production cannot be made if the production has been disposed of before necessary determinations can be made and the disposition has made it impossible for the adjuster to determine the actual value of the production to the insurance provider's satisfaction.

(2) When the insured's interest is less than 100 percent in the crop:

Adjustments to the value of production can be made if the production of the other person(s) sharing in the crop is available to make the determinations. **This is applicable only when the other production is representative of the insured's share.**

16 When adjusting a claim under the COP Insurance program, the following applies as related to Paragraph 85:

(a) Paragraph 85 A should be replaced with the following language:

The COP Basic or Crop Provisions (and in some cases the Special Provisions), cover the insured crop for loss of value due to insured causes occurring within the insurance period by reflecting the quality of the crop based on the price received or offered by buyers of such production.

(b) Paragraphs 85 B and C apply as is.

(c) Paragraph 85 D, E, F and G do not apply.

(d) Paragraph 85 H applies with the following exceptions:

- (1) For purposes of determining the value of crops insured under the COP Insurance program, the name of this section will be: “Crops that use the Actual Value Received or Offered to Determine the Value of Production for the COP Insurance Program.”
  - (2) When adjusting a COP claim, the last sentence in (1) does not apply.
  - (3) (2)(b) and (2)(c) are not applicable to COP Insurance.
  - (4) A QAF is not determined when adjusting a claim for the COP Insurance program. Where calculations of a QAF are mentioned in (3) they may be disregarded.
  - (5) When adjusting a COP claim, (4) does not apply.
- 17 Paragraphs 86-90 of the LAM are not applicable to COP Insurance.
- 18 Paragraph 91 is applicable to COP Insurance, except that Example 2 does not apply.
- 19 The rounding rules found in Paragraph 96 apply to COP Insurance, with the following exceptions:
- (1) The parenthetical statement found in 96 C “Monetary Entries” is not applicable. A “\$” SHOULD be used, where appropriate, on the claim form.
  - (2) The following statement should be added to 96 C “Monetary Entries:”  
  
*Total values should be rounded to whole dollars.*
  - (3) References to rounding of quality adjustment factors are not applicable to the COP Insurance program. Therefore, rounding rules for Moisture percentage, Foreign Material (FM) percentage, Test weight, and “Percent of Pick” do not apply.
- 20 Under COP Insurance, Paragraph 102 A (5) and (6) do not apply. Also, Example 2 of Paragraph 102 E is the appropriate method to document the existence of Production Not to Count in a storage structure.
- 21 Paragraph 114 C should be replaced with the following language for COP Insurance:
- C Other Fire Insurance but Hail and Fire Excluded
- If there is other fire insurance and hail and fire coverage has been excluded from the COP Insurance policy, record on the claim form as “Other Allowable Income” the amount of the fire indemnity.
- NOTE:** Any named peril indemnity will be counted as “Other Allowable Income.”
- 22 Paragraphs 114 D and E do not apply to COP.
- 23 Paragraph 116 does not apply to COP.



24 When adjusting a crop damaged by chemical carryover due to adverse weather, the “Calculation” portion of Paragraph 124 A should be replaced with the following language for COP Insurance:

A Calculation. Include as, “Other Allowable Income” any payment or replacement product values:

25 Paragraph 126 should be replaced with the following language for COP Insurance:

A General Information

- (1) The covered expenses for each acre planted to the insured crop during the late planting period will be reduced by 1 percent per day for each day planted after the final planting date.
- (2) Acreage planted after the late planting period (or after the final planting date for crops that do not have a late planting period) may be insured as follows:
  - (a) The covered expenses for determining premium for each acre planted, as specified in this subsection, will be determined by multiplying such covered expenses that are provided for acreage of the insured crop that is timely planted by 50%;
  - (b) Planting on such acreage must have been prevented by the final planting date (or during the late planting period, if applicable) by an insurable cause occurring within the insurance period for prevented planting coverage; and
  - (c) All production from acreage as specified in this section will be included as the value of production to count for the unit.
- (3) The premium amount for insurable acreage specified in this section will be the same as that for timely planted acreage. If the amount of premium the insured is required to pay (gross premium less the FCIC subsidy) for such acreage exceeds the liability, coverage for those acres will not be provided (no premium will be due and no indemnity will be paid).
- (4) Any acreage on which an insured cause of loss is a material factor in preventing completion of planting, as specified in the definition of “planted acreage” (e.g., seed is broadcast on the soil surface but cannot be incorporated) will be considered as acreage planted after the final planting date and the covered expenses will be calculated in accordance with A(2)(a) above.

26 In general, the exhibits contained in the LAM apply to COP Insurance, with the following exceptions:

(a) Exhibit 1 applies with the following conditions:

Terms applicable to COP Insurance that are not defined in the LAM are defined in the COP Basic Provisions. The COP Basic Provision definition takes precedence over the LAM definition when the term is found in both places.

(b) Exhibit 2 should be revised to include Crop Policy Information for COP Insurance, as illustrated in **Appendix A**.

(c) Exhibit 6 is **NOT APPLICABLE** to COP Insurance.

(d) Exhibit 10 should be amended to include the following checklist entries:

- (1) Variable Expenses Appear Reasonable
- (2) Allowable Income Verified

(e) Exhibit 12 is **NOT APPLICABLE** to the COP Insurance program.

(f) Exhibit 16 - Only the TPC Production Worksheet Continuation Sheet – Harvested Production applies for the COP Insurance program.

27 The FCIC 25370 Prevented Planting LASH in general applies to COP Insurance. Changes/additions/deletions and references to the FCIC 25370 Prevented Planting LASH are detailed in the COP Summary of Changes to the Prevented Planting LASH.

**APPENDIX A**

		FCIC		NCIS								
Crop	Crop Code	Basic Provisions	Crop Provisions	Basic Provisions	Crop Provisions	Expected County Yield	Late Planting Provisions	Prev. Planting Provisions	Replant Payment Prov.	Unit of Measure	Unit by County (C) Basic (B) Optional (O) Enterprise (E) Whole Farm (WF)	High Risk Land Exclusion Option
<b>Cost of Production (COP) Insurance</b>												
Cotton	XXXX	Reserved	Reserved	Reserved	Reserved	APH/\$	Yes	Yes	Yes*	lb/\$	Yes (E)	No
Corn	XXXX	Reserved	Reserved	Reserved	Reserved	APH/\$	Yes	Yes	Yes*	bu/\$	Yes (E)	No
Soybeans	XXXX	Reserved	Reserved	Reserved	Reserved	APH/\$	Yes	Yes	Yes*	bu/\$	Yes (E)	No
Wheat	XXXX	Reserved	Reserved	Reserved	Reserved	APH/\$	Yes	Yes	Yes*	bu/\$	Yes (E)	No
Rice	XXXX	Reserved	Reserved	Reserved	Reserved	APH/\$	Yes	Yes	Yes*	cwt/\$	Yes (E)	No
Sugarcane	XXXX	Reserved	Reserved	Reserved	Reserved	APH/\$	No	No	No	lb/\$	Yes (E)	No
Onions	XXXX	Reserved	Reserved	Reserved	Reserved	APH/\$	Yes	Yes	Yes*	cwt/\$	Yes (E)	No
Peaches	XXXX	Reserved	Reserved	Reserved	Reserved	APH/\$	No	No	No	bu/\$	Yes (E)	No
Almonds	XXXX	Reserved	Reserved	Reserved	Reserved	APH/\$	No	No	No	lb/\$	Yes (E)	No
Cranberries	XXXX	Reserved	Reserved	Reserved	Reserved	APH/\$	No	No	No	barrel/\$	Yes (E)	No
<b>CA Stonefruit</b>												
Fr. Apricots	XXXX	Reserved	Reserved	Reserved	Reserved	APH/\$	No	No	No	lug/\$	Yes (E)	No
Pr. Apricots	XXXX	Reserved	Reserved	Reserved	Reserved	APH/\$	No	No	No	ton/\$	Yes (E)	No
Fr. Nectarines	XXXX	Reserved	Reserved	Reserved	Reserved	APH/\$	No	No	No	lug/\$	Yes (E)	No
Pr. Clingstone	XXXX	Reserved	Reserved	Reserved	Reserved	APH/\$	No	No	No	ton/\$	Yes (E)	No
Pr. Freestone	XXXX	Reserved	Reserved	Reserved	Reserved	APH/\$	No	No	No	ton/\$	Yes (E)	No
Fr. Freestone	XXXX	Reserved	Reserved	Reserved	Reserved	APH/\$	No	No	No	lug/\$	Yes (E)	No

\* Increase in Covered Expenses due to Replant. See COP Summary of Changes to the LAM and the Special Provisions.