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Agency

Actuarial and
Product Design
Division

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HAWAII TROPICAL FRUIT PILOT CROP INSURANCE UNDERWRITING GUIDE

**Underwriting Guide for Establishing
Coverage for Multiple Peril Crop
Insurance Contracts**

2010 and Succeeding Crop Years

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**U.S. DEPARTMENT OF AGRICULTURE
WASHINGTON, D.C. 20250**

FEDERAL CROP INSURANCE CORPORATION	NUMBER: 24200
SUBJECT: HAWAII TROPICAL FRUIT PILOT CROP INSURANCE UNDERWRITING GUIDE 2010 AND SUCCEEDING CROP YEARS	OPI: Actuarial and Product Design Division
	APPROVED: /s/ Tim B. Witt Deputy Administrator, Product Management Date: 9/30/2009

1. PURPOSE AND OBJECTIVE

To provide clarification and supplementary instructions for establishing fruit crop insurance coverage in accordance with the Hawaii Tropical Fruit Pilot Crop Insurance Provisions (09-0255) and the Hawaii Tropical Fruit Pilot Loss Adjustment Standards Handbook (FCIC-25860).

This Underwriting Guide is a supplement to the Crop Insurance Handbook (CIH). The CIH applies, except as designated in this Underwriting Guide.

2. CHANGES AND INSTRUCTIONS

A. Explanation of changes

Listed below are the changes that have the most significant impact. Typographical errors and minor corrections are not listed.

Definitions – Clarified definitions related to Crop Year.

Section 5.E. – Extended end of crop year for Bananas and Papayas.

Section 6.A. – Removed language requiring acceptable records for the last four years.

Section 7.C.1. – Removed language requiring acceptable records for the last four years.

Section 7.E. – Added section to address acceptable production history.

B. Cancellation.

(1) Effective Date: Upon Approval.

(2) This Underwriting Guide replaces the Underwriting Guide issued 10/2008.

DISTRIBUTION: RMA Deputy Administrators, Directors, 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. DEFINITIONS

Age (Year of Growth) – For insurance purposes, tree age (growth stage) will be defined on December 31st according to the following table.

Year	Months After Set Out
1	≤12
2	13-24
3	25-36
4	37+

Crop – Each of the following is a separate crop under the HTF Pilot Crop Provisions:

Bananas grown for fresh market;
Papayas grown for fresh market; and
Coffee cherries grown for processing.

Crop Year – In lieu of the definition in the Basic Provisions, the period beginning January 1 and extending through May 31 of the following calendar year. The crop year will be designated by the calendar year in which the period begins.

Damage – Any reduction in the yield of fruit due to an insured cause of loss listed in Section 10 of the HTF Pilot Crop Provisions

Fallow – Land clear of trees and not replanted to any crop for the specified amount of time contained in the Special Provisions.

HTF – Hawaii Tropical Fruit

Harvest – The severance of mature fruit or coffee cherries from the tree by manually pulling or cutting the fruit from the tree. For mechanically harvested coffee, the removal of coffee cherries from the tree by machine.

Nematodes (*Meloidogyne konaensis*: the Kona Coffee root-knot nematode) – the small, parasitic roundworms that reside in the earth in some areas of Kona, which reduces production, and could result in the death of coffee trees growing in these areas.

Pound – A unit of weight equal to 16 ounces avoirdupois.

Set Out – The event of the tree being transplanted or direct seeded into the orchard.

Stumping – For coffee, a cultural practice that severely prunes or cuts back the tree as recommended by crop experts at the University of Hawaii or other agricultural experts. It is not an acceptable cultural practice for bananas and papayas.

Type – Class of a tropical fruit crop with similar characteristics that are grouped for insurance purposes and are contained in the Special Provisions.

4. BACKGROUND INFORMATION

RMA implemented a Hawaii Tropical Fruit Pilot Program for selected tropical fruit beginning in 2007 for the state of Hawaii, encompassing all counties (Hawaii, Honolulu, Kauai, and Maui). The pilot program was structured to indemnify insureds for reduced yields caused by an insured peril during the insurance period.

5. COVERAGE INFORMATION

A. Production Guarantee

- (1) Production Guarantee = Approved Yield x Coverage Level

Example

Joe Farmer has a unit containing 5 acres of coffee in Kona, Hawaii. He has selected a 75 percent coverage level. He also has the following production history (in cherry pounds) for the past 4 years:

<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
5,600	5,000	5,200	4,900

Average Yield (APH) = 5,175 lbs

His production guarantee would be calculated as follows:

Guarantee = 5,175 lbs x .75 = 3,881 lbs per acre

Total Guarantee = 3,881 pounds per acre x 5 acres = 19,405 pounds

- (2) The approved yield for the current crop year will be reduced as necessary, from the previous year's approved yield, based on the insurance provider's estimate of the effect of the following:
- (a) Stumping of trees
 - (b) Removal of trees
 - (c) Destruction of live trees
 - (d) Fallowing
 - (e) Any type of damage

- (f) Change in farming practices
- (g) Interplanted perennial crop
- (h) Any other circumstance

that may reduce the expected yield below the yield upon which the insurance guarantee is based, and the number of affected acres from the level that existed in the prior crop year.

The reduction will be made upon notification by the insured prior to the determination of the approved yield for the current crop year or at any time during the crop year upon discovery by the insurance provider of any of the items listed above.

Example

The insured's approved yield is 5,000 pounds. He removes half of his trees and his yield drops to 2,500 pounds due to the removal. The approved yield will be adjusted to 2,500 pounds when calculating his new production guarantee if the trees were removed before insurance attached. If the trees are removed after insurance attaches, the insured must obtain the consent of the insurance provider. An appraisal of potential production (or uninsured appraisal if consent is not obtained) will apply.

B. Production Guarantee Limitation for New Acreage

- (1) If the insurable acreage of the insured crop in this county for the current crop year exceeds 125 percent of the greatest number of insurable acres of the crop that were produced in the county for any one of the three previous crop years, the production guarantee (per acre) for the current crop year will be reduced as follows (this applies to all insurable acreage of the insured crop in the county for the crop year):

Step 1) Multiply the greatest number of insurable acres of the insured crop produced in the county in any one of the three previous crop years by 1.25;

Step 2) Divide the result by the number of insurable acres of the insured crop produced by the insured in the county in the current crop year; and

Step 3) Multiply the resulting factor (rounded to two decimal places and not to exceed 1.00) by the production guarantee (per acre) for the current crop year.

This limitation will not apply to an insurable acreage increase of five or fewer acres.

(2) Example

For each of the five previous crop years, Joe Farmer had 50 insurable acres of coffee. He acquires 50 additional acres of coffee.

Greatest number of insurable acres in past three years = 50
 Additional insurable acreage = 50
 Current Crop year insurable acreage = 100
 Production Guarantee per acre = 1,500 lbs

To determine the production guarantee per acre for the current crop year with the additional acreage:

Step 1) 50 acres x 1.25 = 62.5
 Step 2) 62.5 / (100) = .625
 Step 3) .625 x 1,500 lbs = **937.5 lbs.**

C. Determining Age

- (1) For insurance purposes, tree age (growth stage) will be determined on December 31st according to the table below:

Year	Months After Set Out
1	≤12
2	13-24
3	25-36
4	37+

(2) Examples

- (a) A papaya tree grown from seed planted (set out) in a field 6 months prior to January 1 of the crop year is considered 1 year old.
- (b) A coffee tree that was transplanted (set out) into a field 38 months prior to January 1 of the crop year is considered 4 years old.

D Age Requirements for Insurability

Insurance will attach to:

- (1) Banana acreage on January 1 following the year of tree set out.

- (2) Papaya acreage:
 - (a) That is more than twelve (12) months old on December 31 preceding the crop year, unless otherwise provided in the special provisions; and
 - (b) Less than four years old or older on December 31 preceding the crop year.
- (3) Coffee acreage that has reached age three (3) on December 31 preceding the crop year.

E. Important Dates:

- (1) Contract Change Date: September 30 preceding the cancellation date.
- (2) Cancellation, Termination, and Sales Closing Dates: December 31.
- (3) Acreage Reporting Dates: For coffee trees, March 15, and February 15 for banana and papaya trees.
- (4) Beginning of the Insurance Period Dates: January 1
- (5) End of the Insurance Period Dates: May 31 of the next calendar year.

6. INSURED CROP INFORMATION

A. INSURABILITY

- (1) The crop insured will be those of each crop (banana, coffee, and papaya) in the county for which the producer elects coverage and a premium rate is provided on the actuarial documents:
 - (a) For which the producer has a share;
 - (b) That are grown to produce a crop intended to be sold for human consumption;
 - (c) That, if the orchard is inspected, is acceptable to the insurance provider;
 - (d) That meets the applicable age requirements for the crop provided in the HTF Pilot Crop Provisions; and
 - (e) That is an HTF crop specifically listed in the policy.

- (2) Hawaii tropical fruit crops interplanted with another crop are insurable, unless the insurance provider inspects the acreage and determines that it does not meet the requirements contained in the policy.
- (3) For coffee: Nematodes are not an insured cause of loss on coffee grown on trees less than five years of age (e.g., four years after setout).
- (4) Refer to Basic Provisions for additional provisions of insurability.

B. Insurance Period

Coverage begins on:

- (1) January 1 of each crop year;
- (2) Except that for the year of application, if your application is received after December 2 but prior to January 1, insurance will attach on the 30th day after your properly completed application is received in our local office, unless we inspect the acreage during the 30-day period and determine that it does not meet insurability requirements. You must provide any information that we require for the crop or to determine the condition of the orchard.

C. Unit Determination:

- (1) Units are available by:
 - (a) Basic units; and
 - (b) Optional units (unless limited by the Special Provisions) for:
 - (i) Noncontiguous land;
 - (ii) Type (if types are specified in the Special Provisions); and
 - (iii) Harvest period (for bananas).
- (2) Enterprise units, whole farm units, and optional units by irrigated and non-irrigated practices, legal descriptions or farm serial numbers are not available.

D. APH Determinations:

- (1) APH determinations are made in accordance with the Crop Insurance Handbook.
 - (a) Separate APH yields are required by:

- (i) Unit;
- (ii) PTV (if different T-yields apply); and
- (iii) T-Yield map areas.

Example: Joe Farmer insures Brazilian and Cavendish types of bananas under the Early, Mid, and Late Harvest practices. (See the Special Provisions time period applicable to each practice.)

<u>Type</u>	<u>Practice</u>	<u>T-Yield (Actuarial Table)</u>
Brazilian	Early Harvest	8,212*
	Mid Harvest	9,410*
	Late Harvest	7,820*
Cavendish	Early Harvest	32,212*
	Mid Harvest	42,410*
	Late Harvest	42,820*

*Note: Not actual T-yields listed on Actuarial Table.

Separate T-yields are established for each harvest practice by type, thus a separate APH yield for each type/practice combination insured is required.

7. REPORTING REQUIREMENTS

In order to verify the underwriting information provided by the producer and that the insurability requirements for each crop have been met, the Insurance Provider will conduct a pre-acceptance inspection. The forms listed below, or other forms approved by RMA, can be used to report the required information and any other information determined to be necessary by the Insurance Provider.

A. Pre-Acceptance (Perennial Crop) Inspection Report and Addendum Worksheet

- (1) Orchard inspections are required to be performed by an Insurance Provider inspector:
 - (a) For all new applicants;
 - (b) For added land units (land not previously in the operation);

- (c) Whenever initiated by the insurance provider; and
 - (d) As indicated in Section 7F of the CIH for all other circumstances.
- (2) Inspection deadlines: During the 10-day period applicable under Section 6B(3) of this guide; otherwise see Section 7F(5) of the CIH.
 - (3) A combined Inspection Report/Addendum Worksheet for Macadamia nuts and other perennial crops, shown in Exhibit 16 1H of the CIH, may be used for HTF crops.
 - (a) Note any change in cultural practices (stumping of trees, removal of trees, fallowing, any type of damage, a change in farming practices, an interplanted perennial crop, or any other circumstance) that may reduce expected yields in the “Remarks” section.
 - (b) Report the numbers and ages of trees removed since the previous inspection in the “Remarks” section.

B. Producer’s Pre-Acceptance Worksheet

- (1) Policyholders are required to annually certify updated underwriting information for each insured crop by the production reporting date.
- (2) Information specific to the approved yield for the current or upcoming crop year should be reported. This should include, but is not limited to, the following:
 - (a) The number and age of any trees that were stumped;
 - (b) The number of trees that were replaced;
 - (c) The number of trees removed and not replaced; and
 - (d) Cultural practices that may reduce expected yield, such as stumping coffee trees
 - (e) Other conditions listed in the HTF Pilot Crop Provisions.
- (3) Instructions for completion are provided in Section 7E of the CIH.
- (4) Refer to the insurability requirements for bananas, coffee, and papaya given in the HTF Pilot Crop Provisions and Sections 5D and 6A of this handbook.

C. Production Reporting

- (1) Policyholders are required to submit a production report by the production reporting date.
- (2) The APH Form examples, procedures, and instructions are provided in Section 9 of the CIH and can be used to report prior production and acreage.

D. Acreage Report:

- (1) In addition to the acreage reporting requirements contained information required in Section 6 of the Basic Provisions, the applicant/policyholder you must report by unit for each insured crop include the following additional information on the Acreage Report:
 - (a) Enter the number of acres and trees for each age on separate lines within each unit.
 - (b) Enter the date set out was completed.
 - (c) Enter in the Remarks section the number of trees that have been replaced, the number of trees that have been removed and not replaced during the previous crop year, and the number and age of trees that have been stumped.
- (2) The producer will report the ages of insured trees based on his/her records and the definition of age found in the HTF Pilot Crop Provisions.
- (3) The agent will assist the insured in correctly reporting his/her trees (by age) and tree acreage as required by the HTF Pilot Crop Provisions.

E. Additional Actual Production History Provisions:

- (1) Banana: Printouts or receipts from a handler must indicate the transaction date, producer's name, and total production in pounds. Printouts or receipts includes packing operation, processor, wholesaler, shipper, retailer, restaurant, delivery records, pick records [see CIH Sec. 10, Par. C(4)], jobber, or sales broker. Grower's direct marketed (farmers market, roadside stand) receipts must indicate the date of the transaction, producer's name, and total production. Detailed farm ledgers summarizing direct-marketed production receipts are acceptable as long as records are available for inspection.
- (2) Papaya: Printouts or receipts from a handler must indicate the transaction date, producer's name, and total production in pounds.

Printouts or receipts includes packing operation, processor, wholesaler, shipper, retailer, restaurant, delivery records, pick records [see CIH Sec. 10, Par. C(4)], jobber, or sales broker. Growers direct marketed (farmers market, roadside stand) receipts must indicate the date of the transaction, produce's name, and total production. Detailed farm ledgers summarizing direct-marketed production receipts are acceptable as long as records are available for inspection.

Any production evidence, which does not meet the requirements specified for the crop, may be forwarded to the RMA Regional Office to determine its acceptability.