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Product Design
Division

FCIC 24180

APH SESAME (PILOT) CROP INSURANCE UNDERWRITING GUIDE

2012 and Succeeding Crop Years

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

TITLE: APH Sesame Pilot Crop Insurance Underwriting Guide	NUMBER: 24180
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SUBJECT: Provides the procedures and instructions for administering the APH Sesame (Pilot) Program	OPI: Actuarial and Product Design Division
	APPROVED: November 29, 2011 <i>/s/ Tim B. Witt</i> Deputy Administrator for Handbook Approval

REASON FOR INSUANCE

This handbook provides the official FCIC-approved 2011 and succeeding crop years' underwriting and administration standards for the Sesame Pilot Program. All approved insurance providers electing to offer the Sesame Pilot Program must utilize these standards.

SUMMARY OF CHANGES

The following is a brief description of the changes to the APH Sesame Underwriting Guide that will be effective for the 2012 crop year.

EXHIBIT 5 EXAMPLES – Example 1 and 2 calculations were corrected.

**SESAME PILOT PROGRAM
UNDERWRITING GUIDE**

TABLE OF CONTENTS

Page No.

Part 1 General Information and Responsibilities

1	General Information	1
2	Responsibilities	2
3-20	(Reserved)	

Part 2 Insurability and Eligibility Requirements

21	Eligibility Requirements.....	3
22	Insurability.....	3
23-30	(Reserved)	

Part 3 Applicability of Handbooks

31	General Overview.....	4
32	Specific Information Regarding the Crop Insurance Handbook	4
33	Prevented Planting Loss Adjustment Standards Handbook	5
34	Loss Adjustment Manual	5
35	Sesame Loss Adjustment Standards Handbook (LASH)	5

Exhibits

1	Acronyms	
2	Definitions	
3	(Reserved)	
4	(Reserved)	
5	Examples	

Part 1 General Information and Responsibilities

1 General Information

A. Purpose

This handbook provides procedure for administering the Sesame Pilot Program according to the Sesame Pilot crop provisions, and supplements the CIH, LAM and Sesame Pilot LASH via exceptions, changes, and additions.

If there is a conflict between this handbook and the CIH, LAM or Sesame Pilot LASH, this handbook controls.

B. Source of Authority

The Food, Conservation and Energy Act of 2008 require the Risk Management Agency to develop a pilot program for sesame. 7 U.S.C. 1523(g) requires that FCIC “. . . shall establish and carry out a pilot program under which a producer of non-dehiscent sesame under contract may elect to obtain multi-peril crop insurance, as determined by the Corporation.”

C. Duration

The Sesame Pilot Program is available beginning with the 2011 crop year and is authorized until terminated or converted to a permanent program by the FCIC Board of Directors.

D. AIP Option to Offer

Because it is a pilot, AIPs are not required to offer the Sesame Pilot Program to insureds. Accordingly, each AIP must determine whether it will offer the pilot in the pilot area. AIPs that elect to offer the pilot must offer it to all eligible insureds in the pilot area and must administer the program according to the procedures in this handbook.

E. Pilot Area

The Sesame Pilot Program is available only in the following counties.

State	Counties
Oklahoma	Alfalfa, Blaine, Caddo, Custer, Dewey, Garfield, Kingfisher, Kiowa, Major, Tillman and Washita
Texas	Bee, Crosby, Dawson, Floyd, Haskell, Jim Wells, Jones, Kleberg, Lubbock, Nueces, Runnels, San Patricio, Terry, Tom Green, Uvalde, Wichita, Wilbarger and Zavala.

F. Applying for Sesame Pilot Program

AIPs shall use the standard application for Sesame Pilot Program.

1 General Information (Continued)

G. Related Handbooks

The following table provides handbooks related to Sesame Pilot Program.

Important: Not all sections of related handbooks or all procedures in a section apply to Sesame Pilot Program. See Part 3 for more information.

If there is a conflict between this handbook and the CIH, LAM or Sesame Pilot LASH, this handbook controls.

Handbook	Purpose
CIH	General underwriting procedures.
LAM	General loss procedures.
Sesame Pilot LASH	Loss procedures for sesame.

2 Responsibilities

A. AIP Responsibilities

AIPs must use standards, procedures, methods and instructions as authorized by FCIC in the sale and service of crop insurance contracts. Each AIP is responsible for using RMA approved procedure. AIP should report any pilot program issues or concerns to APDD of RMA. AIPs must submit all yield records for APH databases for sesame.

B. Insured's Responsibilities

To be eligible for the Sesame Pilot Program, insureds must comply with all terms and conditions of the Sesame Pilot crop provisions, Basic Provisions, and all other applicable documents.

3-20 (Reserved)

Part 2 Eligibility Requirements and Insurability

21 Eligibility Requirements

A. Production Experience

Production and yield data must be on the basis of the pounds of clean dry sesame seed for which a processor paid the producer.

B. Eligible Acreage and Crop

Insurance coverage is not authorized for any of the following, unless allowed by the Special Provisions or by written agreement:

- Sesame inter-planted with another crop
- Sesame planted into an established grass or legume
- Non-irrigated sesame planted on land on which any of the following occurred in the same calendar year:
 - a hay crop was harvested, including a harvested small grain hay crop
 - a small grain crop reached the headed stage, regardless of the percentage of small grain plants that reached the headed stage
 - a crop was grazed past March 15, or other date provided in Special Provisions.

22 Insurability

A. Insurable Types, Varieties and Practices

Types are specified for White Sesame and Black Sesame. No varieties are specified. Both irrigated and non-irrigated practices are insurable.

B. Insurable Coverage Levels and Units

Eligible growers may select coverage from CAT levels through 75 percent of APH yield. Coverage levels greater than 75 percent are not offered in this program.

Coverage is available for basic and optional units. In addition to Section 34(c) of the Basic Provisions, the APH Sesame Pilot Crop Provisions, Section 2, allow basic units to be divided into optional units unless limited in the Special Provisions. Optional units may also be established by type.

23-30 (Reserved)

Part 3 Applicability of Handbooks

31 General Overview

This Part identifies information specific to the applicability of the CIH, LAM, and any other issuance that may require supplemental information with regard to sesame or to the APH plan of insurance. Unless specifically amended or supplemented by information in this handbook, all policy and procedure issuances apply to sesame and to the APH plan of insurance.

32 Specific Information Regarding the CIH

The following table provides general information, changes, additions and modifications, termed supplemental instructions, regarding the CIH applicable to APH Sesame Pilot Program.

CIH Section Reference	Supplemental Instructions
3(C)	<u>Selecting Coverage</u> If there are multiple base contract prices within the same unit, each will be considered a separate price election that will be multiplied by the number of insurable acres under the applicable processor contract. These amounts will be totaled to determine the premium, liability and indemnity.
7	<u>Underwriting and APH Responsibilities (Category B & C APH Crops)</u> Sesame is added as a crop for which the Category B underwriting and APH responsibilities apply.
9(A)	<u>Replanting</u> Sesame is added to the Crop Replanting Requirements table, but is not eligible for replanting payments.
9(B)	<u>Late Planting</u> Late planting provisions do not apply to sesame.
9(C)	<u>Prevented Planting (PP)/Basic Provisions</u> The Prevented Planting provisions are not applicable to sesame.
10(B)	<u>Optional Units</u> Optional units by type are authorized for sesame if types are designated on the Special Provisions. Optional units by variety are not authorized.
10(C) and 10(D)	<u>General Information for Enterprise or Whole Farm Units</u> Sesame is not eligible for Enterprise or Whole Farm units.
13	Acceptable Production Reports and Submission of Production Reports rules apply to sesame.
14	Supporting Evidence and Appraisals and Field Visits for APH Purposes rules apply to sesame.
15(D)	<u>Yield Limitations</u> Yield limitations shall apply to sesame with the exception that yield floors do not apply.

32 Specific Information Regarding the CIH (Continued)

15(K)	<p><u>APH Provisions by Crop</u> <u>15(K) Sesame.</u></p> <p>15(K) (a) Acceptable supporting records. A copy of the contract and settlement sheet is required. Statements or contract summaries from processors must indicate the quantity of clean dry sesame seed purchased, dollars received for product delivered, the base contract price, and the area planted. If farm management records are used to support production reports, they must be substantiated by records from a processor.</p> <p>15(K) (b) The insured crop. Non-dehiscent varieties of sesame adapted for mechanical harvesting are the only varieties insurable. The insured crop and the production to count are the clean dry sesame seed. Production and yield data must be recorded on the basis of the pounds of clean dry sesame seed paid for by the processor.</p>
16	<p><u>Category C APH Crops (Perennial Crops)</u></p> <p>Not applicable.</p>
17	<p><u>APH Yield Adjustment</u></p> <p>Procedures set forth in CIH Section 13 regarding APH yield adjustment shall apply to the Sesame Pilot APH Program with the exception that yield floors do not apply.</p>
19	<p><u>APH Review Requirements</u></p> <p>Companies will follow APH review procedures as outlined in Section 19 of the CIH, as indicated in the event APH yield adjustment is required.</p>
20	<p><u>Other Coverage Plans</u></p> <p>Not applicable.</p>
Exh. 1B	<p><u>Category B Crops</u></p> <p>Sesame is added to the definition of Category B Crops.</p>
Exh. 2	<p><u>APH Yield Tolerance</u></p> <p>The APH Yield Tolerance for sesame is 5%.</p>
DSSH	Use of APH form.

33 Prevented Planting LASH

The Prevented Planting Loss Adjustment Standard Handbook is not applicable to the Sesame Pilot Program. Prevented planting coverage is not available for sesame.

34 LAM

The procedures identified in the LAM are adopted for the Sesame Pilot Program.

35 Sesame LASH

The APH Sesame Pilot Program Loss Adjustment Standard Handbook applies to this pilot.

Acronyms

Approved Acronyms	Term
AIP	Approved Insurance Provider
APH	Actual Production History
APDD	Actuarial and Product Design Division
CAT	Catastrophic Risk Protection
CIH	Crop Insurance Handbook
DSSH	Document and Supplemental Standards Handbook
FCIC	Federal Crop Insurance Corporation
LAM	Loss Adjustment Manual
LASH	Loss Adjustment Standards Handbook
RMA	Risk Management Agency

Definitions

The following are definitions of terms used in this handbook.

Approved Insurance Provider means approved insurance provider as defined in the Federal Crop Insurance Act. For the purposes of this handbook, Approved Insurance Provider includes managing general agents as defined in the Standard Reinsurance Agreement.

Examples

This Exhibit provides an example of:

- calculating a premium
- calculating an indemnity.

The following data applies to example 1 and 2.

Acres = 200

Practice = Irrigated

Producer average APH Yield = 640 lbs/acre

Coverage level = 75 percent

Production guarantee (producer average APH yield times x coverage level) = 480 lbs/acre

Price election (Base contract price) = \$0.28 per lb

Price election percentage = 100 percent

Share = 100 percent

County reference yield = 600 lbs/acre

Reference rate = 0.186

Exponent = -1.33

Fixed rate = 0.036

Ratio of producer average APH Yield to County reference yield = 1.07 (640 ÷ 600)

Premium rate = $0.206 (0.036 + 0.186 \times (1.07)^{-1.33})$

A. Example 1 – Calculating a Premium

Sesame Pilot program premiums are calculated according to the Basic Provisions, section 7(c). Calculate the premium using the following formula:

$$[(\text{Production guarantee per acre}) \times (\text{price election}) \times (\text{premium rate}) \times (\text{insured acreage}) \times (\text{share})]$$

The calculated premium is \$5,537 (480 x \$0.28 x 0.206 x 200 x 1.000)

B. Example 2- Calculating an indemnity with multiple contracts and multiple prices.

Jim Farmer has a contract with Company A for 50 acres of white sesame with a contract price of 25 cents per pound. He has a second contract with Company A for 30 acres of black sesame in the same unit at 30 cents per pound. His APH yield is 800 pounds per acre for white sesame and 500 pounds for black sesame and he has coverage at the 75% level. His production guarantee for black sesame is 800 pounds x 75 percent = 600 pounds and for white sesame 500 pounds x 75 percent = 375 pounds. His share in both cases is 100 percent. A minor drought damages both fields and the appraised yield is 400 pounds for the white sesame and 300 pounds for the black sesame.

His settlement of claim would be calculated as follows:

Step 1) 50 acres x 600 pounds =	30,000 pounds
30 acres x 375 pounds =	11,250 pounds
Step 2) 30,000 pounds x \$0.25 =	\$7,500
11,250 pounds x \$0.30 =	\$3,375
Step 3) \$7,500 + \$3,375 =	\$10,875
Step 4) 20,000 white PTC x \$0.25 =	\$5,000
9,000 black PTC x \$0.30 =	\$2,700
Step 5) \$5,000 + \$2,700 =	\$7,700
Step 6) \$10,875 - \$7,700 =	\$3,175
Step 7) \$3,175 x 100% share =	\$3,175 Indemnity