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Management  
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Actuarial and  
Product Design  
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(October 2010)

# CALIFORNIA APH AVOCADO PILOT PROGRAM INSURANCE UNDERWRITING GUIDE

2012 and Succeeding Crop Years

Underwriting Standards for Catastrophic (CAT)  
and Additional Coverage Multiple Peril Crop  
Insurance (MPCI) Contracts

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RESERVED

UNITED STATES DEPARTMENT OF AGRICULTURE  
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This underwriting guide contains the official FCIC approved underwriting instructions under policy 2012-0019 for 2012 and succeeding crop years. The instructions in this guide are effective upon issuance and are not retroactive to any previous crop year determinations. 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 in accordance with the California APH Avocado Pilot Program Crop Provisions (2012-0019), and as a supplement to the Crop Insurance Handbook (FCIC 18010) and any other issuance that may be referenced herein.

**1A CHANGES AND CANCELLATION**

Summary of Changes: The following is a brief description of changes to the California APH Avocado Pilot Program Underwriting Guide that will be effective for the 2012 crop year. Numerous references to the Crop Insurance Handbook (CIH) were revised to reflect changes made to that handbook effective June 2010.

Effective Date: Upon approval for the November 30, 2010 sales closing date for the 2012 crop year.

Issuances Rescinded: This handbook replaces handbook (FCIC 24240) issued September 2008.

Filing Instructions:

Remove  
Entire Handbook

Replace  
New Handbook

**OCTOBER 2010**

**FCIC 24240**

DISTRIBUTION: Risk Management Agency Directors, Branch Chiefs, Washington, D.C., and Kansas City; Regional and Risk Compliance Field Offices; Reinsured Companies, National Appeals Division, National Crop Insurance Services, and Crop Insurance Research Bureau.

**2 STANDARDS AND INSTRUCTIONS****2A General Information**

In general, the FCIC 18010 Crop Insurance Handbook (CIH) applies to the California APH Avocado Pilot Insurance Program. Exceptions, changes, and additions are referenced in this guide.

All procedures, rules, and requirements for California APH Avocados will follow the Category C crop procedures in section 16 of the Crop Insurance Handbook (CIH) except for the differences indicated here and on the CIH Comparison & Reference Guide (Attachment 1).

**NOTE: IF A CONFLICT EXISTS BETWEEN THE LANGUAGE OF THIS GUIDE AND THE CROP INSURANCE HANDBOOK (CIH), THE LANGUAGE OF THIS GUIDE WILL CONTROL.**

**3 CHANGES AND ADDITIONS TO THE CROP INSURANCE HANDBOOK (CIH)**

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

**3A Supporting Records**

A(1) Acceptable Supporting Records: Pool statements, pool summary statements, pack statements or year-end settlement sheets must show the total pounds of marketable avocados delivered. A marketable avocado fruit is one that meets the standards published by the California Department of Food and Agriculture with respect to maturity, defects, size, and weight.

The California AP Avocado Pilot Crop Provisions define a No. 2 avocado as follows: “An avocado fruit that is marketable but that is diverted into processing uses due to visual defects resulting from an insured cause of loss.” Such production is included in the APH yield records since it is marketable. The designation of No. 2 is an informal term used by many in the California industry; there are no published standards for this grade. Accordingly, other terms may be used in the acceptable supporting records. Any avocado that meets the standards published by the California Department of Food and Agriculture is production to count under the terms of the California APH Avocado Pilot Program.

A(2) Avocado records are not available for the most recent crop year by the production reporting date for the crop year for which insurance is to be in force. Therefore, there is a one-year lag in the database; for example, production reports through the 2008 crop year are required for the 2010 crop year.

**3B Pre-Acceptance Field Inspection and Risk Management Agency (RMA) Regional Office (RO) Approved Yield Selection Criteria**

B(1) Pre-Acceptance Field Inspection and RMA RO Approved Yield Selection Criteria. The following pre-acceptance field inspection selection criteria apply to avocados. When selected by these criteria, pre-acceptance field inspections are mandatory if a pre-acceptance field inspection has never been performed or the most recent pre-acceptance field inspection is more than five (5) years old unless waived in writing by the RMA RO.

(1)(a) A greater yield than the average APH yield is requested by the insured with reasonable cause (e.g., acreage in production not meeting the crop minimums, avocados in production that are less than six years after set out, or added land), [see 16H(7) of the CIH]. The request must be in writing and signed by the insured, [see Ex. 16 of the CIH and Document and Supplemental Standards Handbook (DSSH) Ex. 25].

Code blocks or units that meet the criteria above with special case yield indicator “H” shown with the RMA RO determined yield that is higher than the average yield for the block or unit.

(1)(b) High variability of actual yields (used to calculate the APH yield) is indicated by the following yield variance calculations:



- 1 Frequency of actual yields that are less than 75 percent of the AVERAGE APH YIELD is equal to or greater than that shown on the following Yield Variance Table and at least one such actual yield occurred during the most recent three crop years, a pre-acceptance field inspection is required.

Number of Times the Annual Actual Yield is less than 75 percent of <u>the Average APH Yield</u>	Number of Years of <u>Verifiable Records</u>
2	4 or 5
3	6 or 7
4	8 – 10

For blocks or units that meet the above table apply the following additional test. If the most recent crop year’s per-acre actual yield (e.g. 2008) is less than or equal to 75 percent of the average APH yield **AND** the previous crop year’s per-acre actual yield (e.g. 2007) is equal to or greater than 125 percent of the average APH yield, the AIP must use the most recent 5 years average for the database (4 when less than 5 are available), in performing an additional test. In addition to the most recent year 1 being less than or equal to 75 percent of the average and year 2 being greater than or equal to 125 percent of the average, year 3 must be less than or equal to 75 percent of the average and year 4 greater than or equal to 125 percent of the average.

- a The following formula will be used to calculate the RMA RO determined yield for blocks or units meeting the above criteria:
  - i Multiply the per-acre average for the most recent four years in the database by 0.5.
  - ii Multiply the per-acre average of the two lowest per-acre yields in the most recent four years of the database by 0.5.
  - iii Sum the results of steps i and ii for the AIP authorized RMA RO determined yield.

If the most recent crop year’s per-acre actual yield is greater than or equal to 125 percent of the average APH yield **AND** the prior crop year’s per-acre actual yield is equal to or less than 75 percent of the average APH yield, the AIP must use the most recent 5 years average for the database (4 when less than 5 are available), in performing an additional test. In addition to the most recent year 1 being greater than or equal to 125 percent of the average and year 2 being less than or equal to 75 percent of the average, year 3 must be greater than or equal to 125 percent of the average and year 4 less than or equal to 75 percent of the average.

- b AIP’s will use the following formula to calculate the RMA RO determined yield for these blocks or units:

- i The higher of the applicable block or unit average APH yield or the most recent four-year per-acre average will be used for the AIP authorized RMA RO determined yield.

- 2 Or, if the average of the most recent three years' per-acre actual yields is at least 25 percent less than the average APH yield and three or more years are less than 75% of the average APH yield in the last four years. AIP's will use the following formula to calculate the RMA RO determined yield for these blocks or units:

Multiply the average yield by 0.80 to determine the RMA RO determined yield.

- 3 And, if the block or unit meets the criteria under both 1 and 2 apply the lowest average APH yield following the procedure in 1 or 2 above.

AIP's will approve yields using standard procedures for blocks or units not selected as high variability by the above additional test procedure.

- (1)(c) Whenever conducting a pre-acceptance inspection as required under section **16E(1)** of the CIH, determine whether the acreage is infected with Phytophthora root rot. If so, determine whether the producer is following good grove management practices. Document the findings in block 35 of the Pre-Acceptance Perennial Crop Inspection Report in addition to any relevant information that may be entered elsewhere on the form. Information regarding good grove management practices is available from the California Agricultural Extension Service.

- B(2) Other provisions may be contained in the Special Provisions of Insurance for the county.

### **3C APH Yield Adjustment**

- C(1) Excessive Yield Edit Verification – Perform an excessive yield edit verification for all annual yields greater than 20,000 pounds per acre.
- C(2) Organic Procedures – Separate databases for certified organic and transitional databases for transitional acreage are required for any insured crop grown using an organic farming practice. Only acreage and production history from each acreage type of the organic farming practice will be contained in the applicable database. Each database will include production and acreage from any applicable buffer zone. Any yearly average APH yields, for the most recent four crop years only, from the transitional acreage database will be used in place of Transitional Yields (T-Yields) to establish the certified organic database. A variable T-yield will be used to complete the database, if required. Yields shown on the Transitional Yield and YA Substitution Table apply to the organic farming practice.

Separate databases must be established for new acreage in transition, unless the acreage is from the same block or other blocks of the same age, density and variety, use **Exhibit 11** of the CIH and follow Category C Crop procedure.

**3D Producer's Pre-Acceptance Worksheet**

D(1) Section **16D** of the CIH is applicable with the following changes:

Item No.

**2B** Change the heading to "Mo/Yr Set Out/Grafted/Stumped."

Enter the year the trees were set out, the year the trees were grafted to the current variety, or the year the trees were stumped. The year will be designated as the actual calendar year if the action took place during the months of January through June and by the following calendar year if it occurred during the months of July through December.

**2C** Make no entry.

**2J** Follow the instructions in **Part 2, Section 7** of the Loss Adjustment Manual and section **16D(3)** of the CIH except:

1. On acreage that contains only non-insurable pollinator trees in addition to the insurable type, do not reduce the measured acres.
2. On acreage inter-planted with a non-insurable type other than the pollinator trees, reduce the measured acres to include only the land planted to the insurable type. The insured's production report must reflect the same number of acres.

**2G** Include only the count of the number of bearing trees of the insurable type.

**2H** Include pollinator trees of an uninsurable type in the determination of spacing of the insurable type.

**2O** Indicate whether the unit has achieved the 6<sup>th</sup> year after set out or has produced at least 2,000 pounds per acre of marketable avocados in 1 of the 3 most recent crop years.

**3E APH Block Production**

E(1) Section **16G(3)(f)2** of the CIH is applicable with the following changes:

When block production is used for insurable immature acreage, Variable T-Yields are applicable based upon the number of years of records certified. Immature acreage [CIH Section **16G(3)(f)2**] are defined as trees less than (<) 15 years of age.

**3F Added Insurable Acreage**

F(1) Section **16H(6)** is applicable with the following changes:

- (1)(a) "Added Insurable Acreage" is acreage within a block or unit that meets the minimum insurability requirements for the first time for the current crop year. When such acreage is added to previously insured acreage (an existing

block or unit that had an approved APH yield the previous crop year), use the following instructions:

- (a)(1) When separate acceptable supporting production records are provided for the “Added Insurable Acreage” and the percentage of such acreage is:
  - (1)(i) Less than 50% of the previously insured acreage calculate a simple average yield for the APH Form for the unit (APH Block Production must be maintained the initial year of insurance but not reported for DAS).
    - (a) Acres and production from the previously uninsurable acreage must be documented on APH block production.
    - (b) The total acreage to which the yield is applicable must be indicated (e.g., 24.0 acres).
  - (1)(ii) More than 50% of the previously insured acreage.
    - (a) APH Block Production is required.
    - (b) In a subsequent crop year when the “Added Insurable Acreage” block contains four years of actual/assigned yields, acres and production may be combined with the other block(s) or reported as one unit (APH Block Production may be discontinued).
- (a)(2) If separate acceptable supporting production records are NOT provided for the uninsurable acreage not meeting minimums and “Added Insurable Acreage,” the approved APH yield is calculated using a simple average of the total acreage and production (insurable and uninsurable) for all applicable years that production was not separated.

### **3G Leaf Age**

- (G)(1) Section **16C** of the CIH is applicable with the following changes:

The policy crop year is designated by the calendar year following the calendar year during which the avocado trees normally bloom.

### **3H Certification of APH for First Year for Units Previously Insured Under the California Avocado Revenue Plan**

- (H)(1) The insured must certify a production report for the most recently completed crop year.

- (H)(2) Production reports certified for the California Avocado Revenue insurance plan may be accepted for the California APH Avocado Pilot Program for prior years. The insured is not required to re-certify the production reports included in the insured's file.
- (H)(3) The revenue data in the type 15 record for the 2009 crop year may be converted to APH yields by dividing each of the actual revenues by the standardized season average price (SSAP) shown below. Resulting yields are to be rounded to the nearest whole pound.

CROP YEAR	SSAP
1998	1.11
1999	1.53
2000	1.30
2001	.90
2002	1.05
2003	1.23
2004	.97
2005	.97
2006	.58
2007	.96

- (H)(4) A transitional yield has been established for each of the three crop years prior to the most recently completed crop year. These transitional yields are published on the FCI-35, and are to be reduced according to the normal rules. If only the most recent yield is certified, multiply each of the transitional yields by 0.80; if the two most recent crop years are certified, multiply the prior two transitional yields by 0.90; and if the three most recent years are certified, accept the oldest transitional yield for use in the database. Round all results to the nearest whole pound.

**3I The Procedures in the Classification Standards Handbook, Section 4C Apply to this Crop.**

**3J Effect of Stumping**

- (J)(1) Stumping is the act of cutting all branches and foliage from an avocado tree, leaving only a vertical stump approximately 4 feet or greater in height. It is a management practice that reduces recovery time for trees damaged by fire, freeze, or Phytophthora root rot. In addition, it can be used to reduce crowding in a mature orchard. Avocado trees appear to be the only producing fruit trees that will withstand — almost thrive on — such drastic pruning. They have in their genes a vigor and recovery mechanism unknown to the other fruit and nut trees common to California agriculture.

A stumped tree will return to production in about the third year after the stumping occurred. This is shorter than the time needed to bring a newly planted tree into production. The Crop Provisions make stumped trees uninsurable for three years after the calendar year the stumping occurred. The calendar year of stumping is defined as the actual calendar year if the stumping occurred during the months of

January through June and by the following calendar year if the stumping occurred during the months of July through December.

Trees that have been stumped are not included in the bearing trees on the unit until the fourth crop year after the crop year the stumping occurred. These trees are to be reported as uninsurable under the provisions of section 6(c) of the Crop Provisions to the extent they exceed 10 percent of the acreage in the unit.

If stumping occurs after insurance has attached for a crop year and affects 10% or more of the trees on the unit, an uninsured cause of loss appraisal may apply. However, a cause of loss appraisal does not apply to the current crop year if the stumping followed damage due to a cause of loss that is insurable for the fruit (e.g., freeze or fire).

**3K A Calendar of Flowering, Fruit Set, Fruit Development, and Harvest of Hass Avocados**

See Attachment **2** for a graphic depiction of the production and harvesting cycle.

**4 INSURABLE TYPES**

The Hass variety is the only insurable type. For insurance purposes, avocados of the Lamb-Hass variety are considered to be of the Hass variety. All t-yields and price elections apply to Lamb-Hass. No special designation in the yield databases, acreage reports, or production worksheets is required.

**ATTACHMENT 1. CALIFORNIA AVOCADO CIH PROCEDURE COMPARISON & REFERENCE GUIDE**

<b>APH (MPCI)</b>	<b>Avocados</b>	<b>CIH and Other References</b>
Production Reports by Block or Unit (Basic or Optional)	YES	Section 16
Separate APH by P/T/V	NO (All Irr. Practice, All Hass Type)	Not Applicable (NA)
Separate APH by Map Area	NO (No T-Yield Maps)	NA
T-Yields	YES	County Actuarial Table, Section 3(f) of the Crop Provisions
Assigned Yields	YES (75% of approved yield for relevant crop year)	Section 3(f)(1) of the Basic Provisions
Variable T-Yields	YES	Section 3(f) of the Crop Provisions
Yield Descriptors	YES	Exhibit 13F
New Producer Procedures, Use of Other Persons Records (Sharing in Crop), Added Land	YES (Category C Crop)	Section 16H(7)
Cups, Yield Floors	Cups – YES Yield Floors – NO	Section 16H(1)(b), 16H(12), and Exhibit 17
Exclude High Risk Land	NO (No High-Risk Land)	NA
Separate Instructions by Crop	YES	Attached
Producer Pre-Acceptance Worksheet (Self-certification)	YES	Section 16D
Pre-Acceptance Field Selection Criteria	YES	Section 16D(4)
Pre-Acceptance Perennial Crop Inspection Report	YES (If Meets Criteria)	Section 16E
Block Production Worksheet	YES	Section 16G(1) and Exhibit 16
APH Yield Adjustment	YES	Section 17



ATTACHMENT 2. FLOWERING, FRUIT SET, FRUIT DEVELOPMENT, AND HARVEST OF HASS AVOCADOS

