

United States
Department of
Agriculture

Federal Crop
Insurance
Corporation



Product
Development
Division

FCIC-25590

INCOME PROTECTION LOSS ADJUSTMENT STANDARDS HANDBOOK

1998 AND SUCCEEDING CROP YEARS

INCOME PROTECTION LOSS ADJUSTMENT STANDARDS HANDBOOK

SUMMARY OF CHANGES / CONTROL CHART

Major Changes: See changes or additions in text which have been **redlined**. Three stars (***) identify information that has been removed.

- 1 Changes:
 - A Added wheat to language stating that high risk land is not eligible for Income Protection Coverage for Corn, Cotton, Grain Sorghum, Soybean, and Wheat. High Risk land may be insured under a CAT endorsement to the MPCI policy.
 - B Added wheat to language stating notice of loss must be given within 45 days after the date the harvest price is published for Corn, Cotton, Grain Sorghum, Soybeans, and Wheat if production multiplied by the harvest price is less than the revenue guarantee.
 - C These standards are effective beginning with the 1998 crop year. Continue to use the 1997 IP standards to adjust 1997 crops.

CONTROL CHART FOR: INCOME PROTECTION LOSS ADJUSTMENT STANDARDS HANDBOOK - FCIC-25590						
	SC Page(s)	TC Page(s)	Text Page(s)	Exhibit(s)	Date	FCIC Number
Remove	Entire Handbook					
Insert and Current Index	1-2	1-2	1-8		8-97	FCIC-25590

INCOME PROTECTION LOSS ADJUSTMENT STANDARDS HANDBOOK

SUMMARY OF CHANGES / CONTROL CHART

(RESERVED)

INCOME PROTECTION LOSS ADJUSTMENT STANDARDS HANDBOOK

TABLE OF CONTENTS

PART 1 GENERAL

		<u>Page</u>
1	Purpose	1
2	Special Instructions	1
3	Operating Policy	1
4	Abbreviations	2
5	Forms	2
6	Responsibilities	2
7	General Standards	3
8	Appraisal Standards	5
9	Indemnity Standards	5

INCOME PROTECTION LOSS ADJUSTMENT STANDARDS HANDBOOK

TABLE OF CONTENTS

(RESERVED)

**FEDERAL CROP INSURANCE CORPORATION
WASHINGTON, D.C. 20250**

FEDERAL CROP INSURANCE HANDBOOK		NUMBER: 25590
SUBJECT: INCOME PROTECTION LOSS ADJUSTMENT STANDARDS HANDBOOK FOR THE 1998 AND SUCCEEDING CROP YEARS	DATE: August 7, 1997	
	OPI: Product Development Division	
	APPROVED: Deputy Administrator, Research and Development	

1 PURPOSE

This handbook identifies the standards (requirements) for adjusting Multiple Peril Crop Insurance (MPCI) Income Protection losses in a uniform and timely manner. These standards supplement the general (not crop specific) standards for MPCI loss adjustment identified in the Loss Adjustment Manual (LAM), Directive FCIC-30010 (often referred to as LAM in this and other directives), and the applicable crop loss adjustment standards (crop handbooks).

2 SPECIAL INSTRUCTIONS

This is the loss adjustment standards handbook for Income Protection. This handbook remains in effect until superseded. The issuance of an entire handbook will replace a previous handbook; handbook amendments or bulletins may supersede parts of a handbook.

3 OPERATING POLICY

- A Insurance Providers: Insurance providers must use this handbook as the basis for developing any appropriate loss adjustment procedure and training consistent with these standards. Insurance providers may find it necessary to provide additional internal guidelines or procedures for adjusting losses on their insurance contracts. Any additional guidelines or procedures will require FCIC approval unless otherwise provided in writing by FCIC.
- B Specific Entries Standards: Where these standards are entry specific to Federal Crop Insurance or generic forms and organizational titles, insurance providers' forms and procedures are to comply with the standards in an equivalent manner.

4 ABBREVIATIONS

APH	Actual Production History
CAT	Catastrophic Risk Protection
DPTC	Dollar Production to Count
FSA	Farm Service Agency
FCIC	Federal Crop Insurance Corporation
GLAS	General Loss Adjustment Standards (also LAM)
LAF	Liability Adjustment Factor
LAM	Loss Adjustment Manual (also GLAS)
MPCI	Multiple Peril Crop Insurance
UAP	Unit Amount of Protection

5 FORMS

- A Insurance Providers. Insurance providers are to use FCIC-approved forms and completion instructions. **All forms and procedures must be submitted in accordance with the Submission Standards Handbook, FCIC-24030.**
- B General Forms and Manuals. General forms and manuals (or their equivalent) necessary for loss adjustment are identified in the LAM and the applicable crop handbooks.

6 RESPONSIBILITIES

- A FCIC Product Development Division
- (1) Establish the minimum standards and guidelines for loss adjustment.
 - (2) Unless otherwise specified, review and approve all insurance provider loss adjustment procedures and forms prior to their use.
 - (3) Provide guidance and clarifications, as needed, regarding these standards.
- B Insurance Providers
- (1) Comply with and implement the loss adjustment standards (requirements) established by FCIC, through procedures and forms approved by the Product Development Division, or as otherwise specified in writing by FCIC.
 - (2) Ensure that all documentation, determinations, and calculations are completed as specified in these standards.
 - (3) Provide input to FCIC regarding the loss adjustment standards.
 - (4) Advise FCIC of impending situations which may necessitate the development of procedures, forms, or calculations that are different from those identified in the standards issued by FCIC.

- (5) Comply with other requirements issued by FCIC in the administration of contracts between the insurance provider and FCIC.
- (6) Ensure that the required information is provided on the specific forms or other forms or printouts as specified in approved standards and procedures.
- (7) In addition to the responsibilities identified in the LAM, determine whether contract provisions or requirements for Income Protection apply to the insured, and if so whether they have been complied with by the insured.

7 GENERAL STANDARDS

A Beginning as a pilot program for the 1996 crop year, Income Protection is available for the crops and counties for which Income Protection rates are provided.

B MPCI Basic Provisions, APH procedures, and the applicable loss adjustment standards and procedures for the crop apply unless otherwise specified in the Income Protection Crop Provisions, Income Protection Special Provisions, and/or these standards.

C For Corn, Cotton, Grain Sorghum, Soybeans, **and Wheat**, notice of loss must be provided by the insured within 45 days after the date the harvest price is published when the production to count multiplied by the harvest price is less than the revenue guarantee. **Notice of loss must be provided by the insured according to policy requirements when the crop is damaged.**

D A producer is not eligible for Income Protection coverage for the crop if the producer or any person sharing in the crop is identified in the non-standard classification system or the producer is an entity in which a person identified in the non-standard classification system has a substantial beneficial interest.

E For Corn, Cotton, Grain Sorghum, Soybeans, **and Wheat**, land designated in the actuarial table as high-risk is not insurable, but may be insured under an MPCI CAT endorsement or listed on the acreage report as uninsured. A high-risk land exclusion option is not required. **Notice of loss must be provided by the insured according to policy requirements when the crop is damaged.**

F If Income Protection coverage is selected by the insured, the following are NOT available to the insured within that county for the insured crop:

- (1) Other federally subsidized crop insurance for the crop (**except MPCI CAT Coverage as shown in 7 E above**; e.g., MPCI APH coverage, Crop Revenue Coverage, Revenue Assurance, and Group Risk Plan, etc.);
- (2) Options shown in the Actuarial Table for MPCI APH coverage (e.g., Request to Exclude Hail and Fire, etc.); and,

- (3) Written agreements, unless specified in the Special Provisions or for land in an adjoining non-pilot county only when such land is part of a field that extends beyond the approved pilot county boundary with no break in the planting pattern.
- G A unit, in lieu of subsection 1.(tt) of the Basic Provisions, is defined as all insurable acreage of the crop in the county in which the insured has a share on the date coverage begins for the crop year.
- H Insurance providers must advise Income Protection insureds that separate acreage and production must records be maintained in accordance with APH procedure in order for such records to be used for any other crop insurance plan in the future.
- I The definitions of Harvest Price and Projected Price are contained in the Income Protection Crop Provisions or Special Provisions.
- J Replanting payments (not applicable to cotton) are to be calculated according to traditional MPCl procedures, except that the production amount (in lieu of the production guarantee) and the Projected Price (in lieu of a price election) are used to calculate the maximum replanting payment per acre.
- K Gross acres (before share) are used to determine whether the insured has met acreage requirements for replanting payments and prevented planting coverage.
- L For corn, insurance providers are to particularly be aware of the following exceptions to the traditional MPCl APH loss adjusting standards and procedures:
 - (1) The insured crop is corn that is planted for harvest as grain, excluding any variety adapted only for silage.
 - (2) The insured must notify the insurance provider of intent to harvest any acreage as silage at least 10 days before harvest.
 - (3) All production to count will be on a grain (bushel) basis.
 - (4) As stated in the Special Provisions, high-oil and high-protein corn as described below are insurable without a written agreement:
 - (a) High-oil corn blends containing mixtures of at least ninety percent high yielding yellow dent female plants with high-oil male pollinator plants; and,
 - (b) Commercial varieties for high-protein hybrids.

8 APPRAISAL STANDARDS

Appraisal standards currently used to determine traditional MPCl appraised production will be used as applicable to determine appraised production for Income Protection replanting payments and claims for indemnity.

9 INDEMNITY STANDARDS

- A Complete the claim form and certification (if applicable) according to traditional MPCl procedures, and obtain the insured's signature.
- (1) A final claim may be prepared prior to issuance of the Harvest Price by using a Certification Form. The claim will be signed and finalized by the insurance provider when the Harvest Price is issued.
 - (2) If a notice of loss is submitted because of a reduction in income due to a low harvest price (no loss of production), enter the cause of loss on the claim form as "HARVEST PRICE BELOW PROJECTED PRICE - 01" and explain in the narrative.
- B Indemnities are to be calculated according to the Income Protection Crop Provisions.
- (1) Multiply the approved yield, times the coverage level, times the Projected Price, times the **planted** acreage, times any adjustment for late planting, prevented planting, and/or Liability Adjustment Factor, times the insured share, and round to whole dollars. The result is the Unit Amount of Protection (UAP).
 - (2) Calculate the indemnity as follows:
 - (a) Determine the NET unit production to count, after any adjustments to production (according to current approved **policy and FCIC-approved** procedures; e.g., moisture, FM, quality, etc.), and adjustments for SHARE.
 - (b) Multiply the net unit production to count by the Harvest Price and round results to the nearest whole dollar to obtain the Dollar Production to Count (DPTC).
 - (c) Subtract the DPTC (2)(b) from the UAP (1) to obtain the indemnity. See the examples in C below.
 - (d) An indemnity will be paid only if the result in (2)(c) is greater than zero.
 - (e) If the entire unit is prevented from being planted, the indemnity is the amount of protection reduced by any applicable Prevented Planting provisions.

C Indemnity Calculation Examples

Assumptions:

Crop	Corn
APH Yield	110.0 bu.

Coverage Level 75%
 Projected Price \$2.45
 Liability Adjustment Factor (LAF)* 1.000

* LAF (for under-reported acreage) = reported acreage ÷ determined acreage

<u>APH</u>	X	<u>COV. LEVEL</u>	X	<u>PROJ. PRICE</u>	X	<u>ACRES</u>	X	<u>LAF</u>	X	<u>SHARE</u>	=	<u>AMT. PROT.</u>	
110.0		.75		\$2.45		100.0		1.000		1.000		\$20,213	
110.0		.75		\$2.45		50.0		1.000		.750		\$7,580	
110.0		.75		\$2.45		200.0		1.000		.500		<u>\$20,213</u>	
												Unit Amount of Protection (UAP)**	\$48,006

** Rounded to whole dollars

Example 1: Produced 18,500 bushels*, \$3.20 Harvest Price (low yield, high price)**

NET PRODUCTION BEFORE SHARE***	SHARE	PRODUCTION TO COUNT	HARVEST PRICE	DOLLAR PRODUCTION TO COUNT
6,000.0 bu.	1.000	6,000.0 bu.	\$3.20	\$19,200
2,000.0 bu.	.750	1,500.0 bu.	\$3.20	\$4,800
<u>10,500.0 bu.</u>	.500	<u>5,250.0 bu.</u>	\$3.20	<u>\$16,800</u>
18,500.0 bu.		12,750.0 bu.		\$40,800
\$48,006 (UAP) - \$40,800 (DPTC)= \$7,206 INDEMNITY				

*** Net production after any adjustments for quality, etc.

Example 2: Produced 25,000 bushels*, \$1.80 Harvest Price (high yield, low price)**

NET PRODUCTION BEFORE SHARE***	SHARE	PRODUCTION TO COUNT	HARVEST PRICE	DOLLAR PRODUCTION TO COUNT
9,000.0 bu.	1.000	9,000.0 bu.	\$1.80	\$16,200
4,000.0 bu.	.750	3,000.0 bu.	\$1.80	\$5,400
<u>12,000.0 bu.</u>	.500	<u>6,000.0 bu.</u>	\$1.80	<u>\$10,800</u>
25,000.0 bu.		18,000.0 bu.		\$32,400
\$48,006 (UAP) - \$32,400 (DPTC)= \$15,606 INDEMNITY				

*** Net production after any adjustments for quality, etc.

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