



United States
Department of
Agriculture

Risk
Management
Agency

Research
and
Development

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February 6, 1997

TO: Directors, Regional Service Offices

FROM: Tim Hoffmann, Acting Director
Product Development Division

SUBJECT: 1998 Nonstandard Classification Handbook Changes

The review of the 1998 Draft Nonstandard Classification Handbook went very well. We received many helpful comments. The following lists the proposed changes, summarizes comments, and designates the final changes for the 1998 NCS crop year.

1. Added new procedure for hail. Hail is not deducted for apples under any of the apple options. It is also not deducted for income protection policies or crop revenue coverage policies.

Response: No Comments!

Final : In addition to the proposal, no hail deduction will be made for any apple experience (not just the experience earned under an option). This additional change was made due to changes in the rate process.

2. Selection criteria are expanded to include:

- (a) a minimum net indemnity amount (please send your suggestions on an amount by crop. It must be over \$100).

Response: Recommendations varied from \$100 to \$50,000.

Final Change: The minimum net indemnity amount is set at a \$1000 for all crops.

- (b) a Z score override (if there are 5 or more losses and a loss ratio of 1.5 or greater then select the entity regardless of the Z score).

Response: There was some concern whether this would make any difference in the entity's current rate? We determined that rates would increase for persons selected under this criteria. Additional selections do not appear to be significant. In Iowa, an additional 65 people were selected for soybeans

1998 Nonstandard Classification Handbook Changes

with 95 percent having a 13 percent or greater increase in rate. In South Dakota, only 25 more people were selected for sunflowers with 92 percent receiving an increase in rate.

Final change: As proposed.

3. Added procedure for prevented planting adjustments. For prevented planting policies, the prevented planting liability for 1995 and succeeding crop years is adjusted to equal the liability of the crop as if the crop was planted. Indemnities paid for prevented planting, during the 1995 crop year, are reduced as follows:

- (a) Indemnities paid when no other crop is planted are reduced by 1/3.
- (b) Indemnities paid, when an approved substitute crop is planted, are reduced to 0.
- (c) Indemnities paid when an approved cover crop is planted and not harvested, hayed or grazed are reduced to 0.

Response: Questioned what the 1996 procedure would be for prevented planting.

Final: The proposal will be implemented for 1995 crop year as stated. For the 1996 crop year, the proposal will apply with the exception of item (a) which applied only to the 1995 crop year.

4. Updated reconsideration letters.

Response: Suggested letters be signed by the Branch Chief.

Final: Any further reconsideration or appeal is made to a level outside the RSO, therefore, the director should sign these letters.

5. Updated notification letters.

Response: Suggested letters be signed by the Branch Chief.

Final: Proposed change was made, also a sentence was added stating the classification may also apply to the spouse and minor child(ren).

6. Modified Exhibit 7 to show both farm serial numbers and legal description(s) on one sheet.

Response: No Comments.

Final: Proposal was implemented.

7. Added procedure for DAP factors when updating the target yield. The target yield is updated every 5 years. All previous DAP factors are frozen except the last two years. If an error is made which makes a difference of 10 percent or more in any factor, then the factor may be updated for that year.

Response: No Comments.

Final: Proposal was implemented.

8. Added clarification on selection by crop. Citrus, stonefruit, and tobacco have been separated into various crop codes. These crops are selected as designated by their crop codes. California grapes are selected by grouping the types together, even though they are insurable by type. They may be rated by type.

Response: No Comments.

Final: Proposal was implemented.

9. Income protection (IP) and crop revenue coverage (CRC) policy insurance experience is added to the basic policy insurance experience. Group risk production policy insurance experience is kept separate and not used for NCS purposes.

Response: (a) Concern with numbers selected if we include hail.
(b) Concerns were raised with the need of separate DAPs and indemnities from low prices.

Final: (a) Hail is not excluded because the hail exclusion option is not available on these crops.
(b) These concerns are alleviated by using only the production portion of the experience for CRC.

10. Added procedure on including the social security number (SSN) or employer identification numbers (EIN) on the log. Do not duplicate SSNs/EINs. For carryover contracts with duplicates, a listing is being compiled to assist you in determining the appropriate SSN/EIN from the current SSN/EIN data base. An inquiry program is being developed to help assist you in this research.

Response: There may be a need for duplicate numbers.

Final: Proposal will be implemented. Actuarial is using the SSN/EIN (ID) number to identify producers on NCS. Each producer listed must have a separate ID number.

11. Added procedure for entities with experience in various states. For adjoining states, the insurance experience may be combined for selection and/or classification.

Response: No Comments.

Final: Proposal will be implemented.

12. Added procedure providing that entities selected because a year drops out of the base period will not be listed on NCS, if the current year is a nonloss year.

Response: Questioned if a nonloss year includes a year in which no experience is earned for the current year.

Final: Proposal will be implemented. No experience earned for the current year is included in this procedure as a nonloss year.

The following changes were implemented based on comments and other factors.

13. Updated Z scores exhibit list.
14. Added procedure to refer entities to the compliance office when they create or use another entity to avoid their NCS classification.
15. Substantial Beneficial Interest is determined at the time insurance attaches for the crop.
16. Added an exhibit for a listing of nonselected entities that were on the NCS supplement the previous year.
17. Per NCS regulations:
- (a) Updated various definitions per the FCIC regulations.
 - (b) Revised the number of days for requesting a reconsideration from 45 days to 30 days.

If you have questions, contact Pat Srader at (816)926-6344. Thanks for your assistance.

RMA:PDD:PSRADER:jm:2-6-97:wdoc:s:\98dhblr.wpd

CONCURRENCE:

PSRADER WSMITH JMC GARRY EMPOTTS THOFFMANN

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RESERVED

FEDERAL CROP INSURANCE CORPORATION DIRECTIVE		NUMBER
SUBJECT: NONSTANDARD CLASSIFICATION SYSTEM HANDBOOK	DATE: JANUARY 1997	
	OP1: PRODUCT DEVELOPMENT DIVISION	
	APPROVED:	

1 PURPOSE

These instructions are provided for the 1998 crop year Nonstandard Classification System to establish rates and coverage for insureds with atypical loss frequency and severity.

2 CANCELLATION

A Effective Date. The FCIC 16010 Nonstandard Classification Handbook became effective on October 1996.

B Issuance Rescinded. The handbook replaces Transmittal No. M7-12 dated February 09, 1995.

DISTRIBUTION

Deputy Administrators, and Division Directors, Washington, D.C. and Kansas City, Director, All Regional Service and Compliance Offices, and National Appeals Division.

FCIC 16010

February, 1997

RESERVED

3 OPERATING POLICY

This Handbook is the Federal Crop Insurance Corporation's (FCIC's) official publication on the Nonstandard Classification System (NCS). The procedures in this handbook are applicable to all policies insured or reinsured under the Federal Crop Insurance Program and is its underwriting standards for administration.

This handbook is written and maintained by:

The Deputy Administrator for the Research and Development, **Product Development** Division P.O. Box 419293, Kansas City, Mo. 64141

All items in this handbook were researched and developed with the responsible parties or their authorized representatives. If an error is found, notify us in writing at the above address. Outline the error and indicate the proposed correction. Errors may be corrected for the current crop year. Proposed changes should be submitted in writing through your proper organizational channels to the **Product Development** Division for consideration.

- * Shaded areas indicate changes, additions or corrections from the handbook previously published in 1995.

4 INTRODUCTION

The fundamental purpose of underwriting is to protect the insurer from adverse selection and to assure coverage and rates adequately reflects the insured risk. These kinds of protection are critical functions in all lines of insurance. As the insurer in the crop insurance system, FCIC must also perform this function.

A generalized system for assigning insurance rates and coverages, such as the Actual Production History (APH) program, does not address all extremes and variations in insurance risk. Detailed review of FCIC insurance experience indicates a small group of insureds are collecting a disproportionate share of indemnities. This group may consist of persons that are abusing the program, circumstances where degree of risk cannot be addressed by

APH, or instances where APH classifications are simply incorrect. Either rates for all insureds must be increased to account for this risk group, or the group must be defined and treated separately for insurance purposes. FCIC experience has shown that insureds with favorable insurance experience discontinue insurance when rates are increased while persons with unfavorable insurance experience continue the insurance. This contributes to an adverse selection environment having negative impacts on the entire program.

To address this problem, NCS was developed. Through NCS, insureds with atypical loss frequency and severity will be identified as a separate risk group. Insurance offers provided to this group will be modified to reflect the risk associated with each insurance contract. The intent of NCS is to deal with the problem where it exists without affecting all insureds.

Contracts identified in this risk group will be subject to underwriting review. Factors contributing to the substandard performance of the contract will be identified. Rate and/or coverage will be adjusted with the objective of bringing future contract experience back to acceptable levels.

5 UNDERWRITING DIVISION RESPONSIBILITIES**A NCS SELECTION**

- (1) Implementation of NCS is dependent on the establishment of standardized selection criteria. An insured's loss experience must be evaluated against historical loss experience for the population. The purpose of such comparisons is to determine if the individual's experience is typical for the population.
- (2) The criteria used to select insureds for NCS purposes are measures of loss frequency and loss severity (defined as a Z score or as a specified number of losses with a specified loss ratio). These criteria are developed by the Product Development Division. The Product Development Division will generate lists of persons meeting the established criteria by crop (See Exhibit 11). These lists will be sent to the Regional Service Offices (RSO) for primary listing review and detailed underwriting contract review of selected persons.
- (3) For NCS selection to occur, the person must meet all three of the following requirements:
 - (a) Have at least three indemnified losses on the insured crop during the base period, and have a .60 minimum loss frequency.
 - 1 The NCS base period (hereafter referred to as base period) consists of ten calendar years. It extends through two years prior to the NCS crop year for all crops except Az, Ca, and Texas citrus and sugar cane where the base period extends to three years prior to the NCS crop year.
 - 2 An indemnified loss is defined as any year in which total indemnity (after adjustments) exceeds total premium. Any indemnity from a replanting payment is excluded during selection. Indemnity from hail damage is excluded for all crops except apples and crops insured under the income protection(IP)

plan and the crop revenue coverage(CRC) plan.

Also, CRC premiums and indemnities as well as prevented planting indemnities and liabilities are adjusted(See Section 8, paragraph c 4 & c 6).

- (b) Have a Z score calculation equal to or greater than the regionalized Z criteria score for the crop or five (5) or more losses have occurred in the base period and the cumulative loss ratio equals or exceeds 1.50.

Z score is defined as:

$$Z = (\text{Ln}(\text{EPR} \times 100)) \times \text{the Square Root of LR}$$

Where: Ln= Natural Logarithm

EPR = Cumulative Earned Premium Rate
(Total Premium/Total Liability
(Total Premium is the producer paid premium plus the government subsidized portion of premium.)

LR = Cumulative Loss Ratio
(Total Indemnity divided/Total Premium.)

- (c) The cumulative indemnities in the NCS base period exceed cumulative premiums during the same period by at least \$1000.00.
- (4) A disaster adjustment procedure (DAP) factor is applied on a county, crop, and crop year basis to recognize widespread disasters that have occurred during the NCS base period. (See Sec. 9, Paragraph I)
- (5) If an insured's insurance experience includes data from more than one county, the criteria in the county that is most favorable, will apply.
- (6) If an entity has insurance experience in adjoining states, all experience may be combined for selection and/or classification.

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SECTION 5

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6 REGIONAL SERVICE OFFICE RESPONSIBILITIES**A ADJUSTING "Z" SCORE**

- (1) Generate and/or update DAP factor files for all NCS crops on a yearly basis (See *paragraph I* section 9).
- (2) The RSO may recommend regionalizing the adjusted loss ratio (Z score criteria) of a county or group of counties. The national standard is set by crop (see exhibit 12). Guidelines must be developed in each office prior to adjusting the "Z" Score. These guidelines must be approved by Research and Development in Kansas City.

NOTE: Items submitted for approval must be submitted to the **Director of Product Development** Division through the **deputy administrator** for the Insurance Services Division.

If a program problem appears to exist, report the problem to Insurance Services in Washington, D.C. and to the **Product Development** Division in Kansas City. Document the problem and any possible solutions.

B REVIEW PRELIMINARY LISTINGS OF PERSONS SELECTED FOR NCS

- (1) Verify entities and experience.
 - (a) Determine correct name combinations.
 - (b) Eliminate names/contracts from further consideration which do not meet selection criteria due to incorrect name combinations, hail loss **considerations, prevented planting payment considerations**, additional experience, replant considerations, etc.
 - (c) Combine insurance experience of contracts by name and requirements of substantial beneficial interest when necessary.

- (d) Add new persons to the list when such experience meets established selection criteria.

- (2) Perform underwriting review of selected persons.
 - (a) Obtain all data relevant to the selected name.
 - 1 Insurance experience.
 - 2 Basis of insurance guarantee.
 - 3 Land locations of insured land.
 - 4 Other information as necessary.
 - (b) Identify type(s) of contract problems.
 - (c) Determine solutions to the identified problems.
 - (d) Apply underwriting adjustment formulas.
- (3) Provide notification, **by county**, to persons for which **initial** NCS adjustments are made.
 - (a) By certified return receipt mail.
 - (b) At least **forty-five (45)** days prior to Regional Service Office filing of Actuarial Document Books (ADB).
- (4) Maintain a log of NCS activity and provide reports of NCS workload.
- (5) Create and file actuarial documents identifying types of NCS adjustments made for persons and/or land by county and crop.
- (6) Conduct reconsiderations of NCS adjustments.
- (7) Perform yearly updates to persons previously assigned NCS Classifications.

7 UNDERWRITING REVIEW OF PERSON LISTINGS**A REVIEW FOR CORRECT NAME COMBINATIONS (DIVISION OF EXPERIENCE)**

- (1) For the purposes of this part and all succeeding parts of this handbook procedure, established definitions of a person, substantial beneficial interest, and actively engaged in farming will be used. Refer to Exhibit 1, Definitions.
- (2) The Regional Service Offices (RSO) will review NCS listings provided by the **Product Development** Division. The objective of this review will be to identify incorrect name combinations. The computer makes some basic assumptions when combining experience data for NCS purposes. Due to the variations in name entries, these assumptions may at times be incorrect. Examples of errors the service office may encounter are:
 - (a) Experience for Larry L. Long and Larry L. Long II that are separate entities was combined. In this case, the experience should be divided and attributed to each person.
 - (b) Experience for Carl Stanley, C. Stanley, and Carl D. Stanley may be combined. In this case, the RSO will determine if this is the same person or, in fact, different persons.
- (3) There will be indicators on the preliminary list that will be helpful in determining the accuracy of name combinations. Indicators include phone number, policy number, county name, SSN/**EIN**, etc. In certain cases, it may be necessary to obtain information from other sources. Such information may include reports from EXPER and the Yield History data bases, Farm Service Agency (FSA), or **Insurance providers**.
- (4) If incorrect name combinations are found, divide all experience data between the different persons. If, as shown in Paragraph A(2)(b), it is found that C. Stanley and Carl D. Stanley are separate persons, divide all insurance data to show appropriate experience with the correct person.

- (5) Upon completion of Paragraph 4, apply the established selection criteria to determine if the persons should remain on the listing. An established computer program will be used for this purpose. If selection criteria are no longer met, remove the name(s) from the list.
- (6) Document all errors and situations when a name is removed from the listing.

B COMBINATION OF CONTRACTS

- (1) Producers are selected for review by the **Product Development** Division on the basis of name. During the review process, the underwriter may become aware of other entities whose insurance experience should be combined with the selected name. Federal Regulations provide that insurance experience of separate legal persons may be combined for NCS purposes. Such combinations are based on substantial beneficial interest as defined in Exhibit 1, Paragraphs 1, 2, and 4. The underwriter must:
 - (a) Determine if the entities should be combined.
 - (b) If combinations are made, recalculate insurance experience to determine if combinations still meet the selection criteria.
- (2) Review names that may need to be combined.
 - (a) Recommendations considered for person combinations may originate from:
 - 1 Underwriter observations (RSO, insurance providers and Farm Service Agency FSA).
 - 2 Crop insurance industry representatives and agents.
 - 3 FCIC personnel.
 - (b) Guidelines to be used when combining persons are based on substantial beneficial interest of the selected person in other farming operations. Sources used to verify a person's interest in an entity may include courthouse records or FSA

producer information (CCC Forms 501B, 502A-D, 503A, etc.). These forms provide percent interest for all entities in which the person shares.

- (3) Determine the total insurance experience of the person (See Exhibit 1, Paragraph 2). This is the sum of all total premiums, indemnities, and liabilities by year for the person and any entities in which the person has a substantial beneficial interest.
- (4) Use the **Informix NCS** program to enter total insurance experience. The program will recalculate **the selection criteria** for the person based on total experience. Compare this new **selection criteria** with the applicable **criteria** for the crop. If, after recalculation, the criteria in Section 5A(3) are still met then perform NCS review.
- (5) Document all name combinations and maintain in the person's experience file.

C ADDITION OF NAMES CORPORATIONS AND PARTNERSHIPS

- (1) Selection criteria may be applied on the basis of insurance experience of a person, insured acreage, or the combination of both. The preliminary listing will not, in all cases, identify persons that meet criteria for adjustment under NCS. This is due primarily to slightly different name spellings or different corporation names for the same person. FCIC and private industry personnel will have the opportunity to recommend names of persons who may represent non-standard risks to FCIC for review. Recommended persons will be reviewed in accordance with NCS guidelines and procedures. For underwriting review to occur, insurance experience for persons must meet criteria set forth in Section 5A(3).
- (2) The RSO will consider name recommendations at any time during the year. Incorporate acceptable recommendations at the subsequent actuarial filing.
- (3) The process by which persons are added to NCS review is as follows:

- (a) Recommended names and name combinations of persons are submitted to the appropriate RSO. Any supporting documentation should accompany the submission.
 - (b) The RSO reviews the information and does initial testing on the person(s). This is accomplished by obtaining EXPER contract data for the contract and using the **Informix NCS** computer program designed for this purpose. If testing shows the person should be selected for review, the RSO will complete the NCS review.
- (4) In all cases, document any additions to NCS preliminary listings.
- (5) Corporations and Partnerships. Insureds identified during the contract review may be involved in partnerships and/or corporations. Under these circumstances, it is often difficult to determine what persons or entities should be listed for NCS purposes. Listing and calculation of adjustments are based on the definitions of person, total insurance experience of a person, entity, and substantial beneficial interest. The following examples may be helpful:

Example 1.

- (a) "**Farms, Inc.**" consists of the legal entity Farms, Inc., the president, John Smith, and vice president, Steve Smith. Steve and John have a substantial beneficial interest in Farms, Inc. Steve has additional favorable insurance experience of his own while John has no other experience.
- (b) When the preliminary selection is made, Farms, Inc. is the identified name.
- (c) The experience for John is the same as that for Farms, Inc. Both names (John Smith and Farms, Inc) will be listed with identical NCS adjustments.
- (d) The total insurance experience for Steve includes experience for Farms, Inc. and for Steve on his own. If the sum of this experience does not

qualify for NCS adjustment, the name Steve Smith cannot be listed. If total insurance experience for Steve and Farms, Inc. still qualified for adjustment, the name Steve Smith would be listed. Classifications assigned to Steve would be based on the total insurance experience for Steve.

- (e) The classifications assigned to Farms, Inc. apply to all acreage the entity has an interest in. If Farms, Inc. shares with Steve Smith on his own acreage, the highest rate and lowest coverage factor apply to the shared acreage.

Example 2.

- (a) "Flat Creek Enterprises" is a corporation owned exclusively by Adam Smith. Flat Creek is selected by NCS. Mr. Smith has additional favorable insurance experience of his own.
- (b) Total insurance experience for Flat Creek and Adam Smith disqualifies Adam Smith from any NCS adjustment. Adam Smith cannot be listed. The person, Flat Creek Enterprises, still qualifies for NCS adjustment. Flat Creek Enterprises would be listed for NCS purposes.

Example 3.

- (a) "Flap Jack Enterprises" is a corporation owned exclusively by David Doe. Flap Jack Enterprises is not selected by NCS. Mr. Doe has additional unfavorable insurance experience of his own.
- (b) Total insurance experience for Flap Jack Enterprises and David Doe qualifies David Doe for NCS selection. Flap Jack Enterprises cannot be listed. The entity, Flap Jack Enterprises would receive the NCS classification because David Doe has a substantial beneficial interest in the corporation.

The federal regulations state in 7CFR part 400 subpart R section 400.458 that if a person creates or uses

another entity to evade the assignment of the nonstandard classification system, the person shall be ineligible to receive any and all benefits applicable to any crop year for which the scheme was adopted. Possible cases should be forwarded to the Regional Compliance Office.

D ADDITION OF INSURANCE EXPERIENCE

- (1) During the review process, the underwriter may become aware of additional years of insurance experience. The preliminary printout may not identify all years of experience. This results from slightly different name spellings contained within the EXPER data base for the same person. The underwriter must identify all years of data obtained during the review for complete evaluation of the insurance experience.
- (2) When this situation occurs:
 - (a) Use the applicable program to enter additional year(s) of insurance experience for the purpose of recalculating the selection variables.
 - (b) If the calculated selection variables meet or exceed the NCS criteria (see paragraph 5A3) continue the NCS review process.
 - (c) If the calculated selection variables do not meet or exceed the NCS criteria (see paragraph 5A3) eliminate the name from NCS review.

8 DETAILED UNDERWRITING CONTRACT REVIEW

Upon completion of the processes outlined in Section 7, the underwriter must now perform a detailed review of individual contracts. The goals of this review are to:

- * Identify the problem.
- * Determine the appropriate solution to the problem.
- * Identify situations where persons do not need to be listed for NCS purposes.

A IDENTIFICATION OF CONTRACT PROBLEMS

(1) The review will determine why experience on the selected contract has deviated so greatly from the norm. Types of problems are:

(a) **Contract-Wide problem.**

- 1 Random and sustained losses. No identifiable pattern, yet losses continue from year to year not always affecting the same unit or practice.
- 2 Repetitious losses on one or more insured units. Losses that cannot be wholly attributed to physical hazard or cropping practices.
- 3 Possible noncompliance with program guidelines. Document instances of suspected noncompliance for possible submission through appropriate channels of supervision. Continue the underwriting adjustment process.
- 4 The person is continuously insuring or creating new units thereby avoiding any significant impact of APH coverage adjustment.

(b) **Contract-Specific problem.**

- 1 More than one loss on a specific cropping practice within the contract. Practices include irrigated, non-irrigated, NFAC, FAC, etc. (Practice/Type/**Option** Specific Risk)
 - 2 Repetitious losses on one or more insured units. Losses that can be attributed to physical hazard. (Pure Land Risk.)
 - 3 Repetitious losses attributed to a specific person on a specific land. (Person Specific Land Risk.)
- (2) Identifying the problem will require gathering all available information relevant to the contract. Specific crop categories will require the use of different types of data in this review. See Section 10 of this handbook for instructions on handling each crop category. The following is a general guide for obtaining and using basic information necessary to determine the type of contract problem:

OBTAIN: FCI-19A or equivalent form used to establish coverage and yield history. From: RSO files, Kansas City Yield History Data Base, insurance provider, or Agent.

USAGE: Establishing accuracy of yield history and nonactual Yields. Assuring incorporation of loss history into APH yield history. Identify the extent this contract is reliant on assigned yields or yield limitations. (This can be accomplished by adding the APH yields, for the most recent year, before limitations are applied and after limitations are applied, then divide the first number by the second number to determine the contract reduction percentage due to yield limitation removal.)(This is a key part of determining what type of underwriting adjustment will be made. A high degree of reliance on assigned yields or yield limitations may indicate coverage and/or rate adjustment is preferred. For contracts with a high percentage of prior reported yields or for crops with a five year yield base, rate adjustment alone may be

preferred.

OBTAIN: Complete loss experience for the person.
From: Kansas City Experience Data Base.
When necessary, the FSA Office, or **insurance provider** may be contacted for copies of loss claims.

USAGE: Assuring the accuracy of the preliminary listings. Identifying the distribution of losses, type of loss, loss yields, and practices involved within the contract. This review will be helpful for distinguishing contract-wide from contract-specific problems. Data will also be used in rate and coverage adjustment formulas.

OBTAIN: Current actuarial documents in effect for the county. From: RSO document files.

USAGE: The contract experience may already have been accounted for by existing actuarial documents. (FCI-2 Written Agreements, FCI-32 Listings, the FCI-33 Crop Insurance Actuarial Map, or previously issued FCI-33 Supplements etc.)

OBTAIN: Where possible, detailed land descriptions of contract units. From: Kansas City Experience Data Base, FSA, Published Atlas & Plat Books for the county, Natural Resources and Conservation Service (**NRCS**), or **insurance provider** Acreage Reports.

USAGE: Identification of specific land risk or person-land risk.

OBTAIN: Detailed soil maps and soil descriptions.
From: Natural Resources and Conservation Service (**NRCS**) and Regional Service Office files.

USAGE: In conjunction with specific land for determining potential and specific risk.

- (3) In addition to these basic types of data, the RSO may use other information for the purpose of identifying the type of contract problem and degree of risk. Such information may be obtained from FSA yield histories, Corps of Engineers, U.S. Geological Survey data, or **insurance provider** representatives, loss adjustment contractors, and underwriter field reviews of specific land.
- (4) Upon completion of this data gathering exercise, the underwriter should be able to identify the problem and make an informed decision on how to solve the problem. The goal of this exercise is to provide equitable and reasonable adjustment to a contract based on experience of that contract.

B DETERMINE APPROPRIATE SOLUTIONS TO THE CONTRACT PROBLEM

- (1) For Contract-Wide problems, underwriting adjustments will be made on a person basis for all practices/types/**option**, and all land.
- (2) For Contract-Specific problems, underwriting adjustments will be accomplished by:
 - (a) Person-Specified Practice/Type/Option-ALL Land.
 - (b) Person-Specified Practice/Type/Option-Specified Land.
 - (c) Specific Practice/Type/Option-Specific Land.
 - (d) Specific land only. (All practices and Type/Options.)
- (3) Solutions for the identified problem are sometimes limited to specific crop categories. See Section 10 for possible types of adjustments by crop category. Where possible, apply Underwriting Adjustment Formulas with the goal of limiting liability first and increasing rate second. Available options are:
 - (a) Coverage only.
 - (b) Rate only.

- (c) Coverage and rate.
- (4) During the review process, the underwriter will determine which approach is necessary to bring insurance experience back to acceptable levels of performance as determined by FCIC. For crops on which all adjustments are possible, as defined in Section 10, the deciding factor is determined by the problems identified during the underwriting review. For persons that constantly change and create new units, rate and coverage adjustment may be the most appropriate option.
- (5) Contract-Wide Problems. For some crops, only rate may be adjusted to handle contract-wide problems. With other crop categories, coverage and rate will be adjusted by person for all land and practices/Type/Options of the selected crop. Nonactual Yields will be adjusted through a set formula using incurred contract experience as a basis for the adjustment. See the Underwriting Adjustment Formulas, Section 9. In addition, as a part of this Coverage and Rate Formula, rate may be adjusted on this person. Adjustments will apply to all new and previously insured units of the selected person, all entities in which the selected person has substantial beneficial interest in, and any other entities that the selected person is actively engaged in farming with on a shared unit basis.
- (a) All Nonactual Yields will be adjusted using calculated factors (NCS Yield Factors).
- (b) Calculated rates will be assigned.
- (c) Use the FCI-35 Supplement listing for contract-wide adjustments. The listing entry will show person, all land, all practices/Type/Options, the NCS Yield Factor, and/or rate classification. Refer to the Regional Service Office System Users' Manual for data entry instructions.
- (d) See the cautionary note below.
- (6) **CAUTIONARY NOTE**. When adjusting coverage AND rate, compare the calculated rate with the R-Span rate

increases derived from the NCS Yield Factor effect within the contract. In some instances, the R-Span, **area rate**, or standard high risk area rate will be higher than the calculated rate from NCS formulas. In these cases, DO NOT assign special rates to these units. In order to make a rate adjustment, the calculated rate must be 10% or more than the standard rate. Also refer to Section 9 Paragraph H for instructions on handling practices and levels of insurance coverage.

- (7) Contract-Specific Problems. Refer to Section 10 for possible types of adjustment by crop category. Types of contract-specific problems identified are cultural practices, types, options, or pure land risk.

(a) Practice/Type/Option specific risk.

(Person-Specific Practice/Type/Option-ALL Land, or Person-Specific Practice/Type/Option-Specific Land, or Specific Practice/Type/Option-Specific Land.) Contract experience must be divided by practice/Type/Option using the EXPER data base. Use caution with data obtained from EXPER by practice, type or option. The underwriter must determine liability, premium, and indemnity by year for the crop, practice, and Type/Option.

- 1 If a practice/Type/Option adjustment is to be made on identified land (Specific Practice/Type/Option-Specific Land) for all persons, data must be separated and tied to the land. Coverage adjustments to Nonactual yields will be accomplished using a simple average of actual yields available from insurance records (a minimum of 3 years of data is required). Consult FCIC 24010 Classification Standards Handbook for alternative methods of adjusting coverage for practice/Type/Option specific risk.

NOTE: If Nonactual Yields determined in this manner are applied to a Person-Specific Practice-Specific Land, the yield must be converted to an NCS Yield Factor for listing purposes using this formula:

New Nonactual Yield/Old T Yield = NCS Yield Factor
(Rounded to two decimal places.)

- 2 Rates assigned to a Specific Practice/Type/Option Specific Land, will be determined from adjusted loss cost times **.93**. Standard RSO methods of rating such land may also be used.
 - 3 When coverage and/or rate are to be assigned to a person (Person-Specified Practice/Type/Option-All Land), use NCS Yield Factors and rates derived using underwriting formulas for persons. Rates and coverages will be determined from data separated by practice/Type/Option within the person's insurance experience.
 - 4 If coverage and rate are to be adjusted, the cautionary note in Paragraph 6 of this section applies.
- (b) **Pure land risk.** When land risk is the sole problem identified in the underwriting review, classification changes will not be made on a person basis. The underwriter may adjust coverage and/or rate on the specific land using the calculations established in the Underwriting Adjustment Formulas, Section 9 for land. The basis of calculations will be the insurance experience of the selected person on this land AND any insurance experience of other persons on the identified land during the base period. Such changes will apply to all persons.
- 1 For rate adjustments, standard RSO procedures for rating high risk land may be applied or adjusted loss cost determined from insurance records times **.93** may be used.
 - 2 For coverage adjustments, a simple average of three or more actual yields will be used as the NCS Yield. Consult FCIC 24010 Classifications Standards Handbook for

alternative methods of adjusting coverage in cases of land risk.

- 3 Classification changes will be made by either the FCI-33 Actuarial Map Supplement or the FCI-33 Crop Insurance Actuarial Map.
- 4 The cautionary note in Paragraph 6 of this section applies.

(c) **Person Specific land risk.** This differs from pure land risk as outlined in b above. In this situation, a person is identified as consistently having losses on specific land while the rest of the contract has acceptable performance. The review does not find any major agronomic limitations unique to this land. The underwriter may decide to apply coverage and/or rate adjustments to the person on specified land only. Assigned classifications will apply to the selected person, any person in which the selected person has a substantial beneficial interest, and any other persons actively engaged in farming with the selected person on the identified land. Assigned classifications will not affect other land the selected person insures. Contract experience must be separated for the identified land. Adjustments will be made using only experience of the selected person and entities in which that person has a substantial beneficial interest. Experience from unrelated persons on such land **WILL NOT** be used. A minimum three years of data is required. Use the FCI-35 Supplement Listing. Entries will show name, specific land, practice/Type/Option if applicable (else All), the NCS Yield Factor and/or rate classification.

- 1 Coverage adjustments to Nonactual Yields will be accomplished using a simple average of actual yields available from insurance records (a minimum of 3 years of data is required). Consult FCIC 24010 Classification Standards Handbook for alternative methods of determining yields in these cases.

NOTE: Nonactual Yields determined in this manner must be converted to NCS Yield Factors for listing purposes using the following formula:

New Nonactual Yield/Old T Yield = NCS Yield Factor(Rounded to two decimal places.)

2 Rate will be determined from adjusted loss cost for the land times .93. Standard RSO methods for rating such land may also be used.

3 If coverage and rate are to be adjusted, the cautionary note in Paragraph 6 of this section applies.

NOTE: Land classified in items 7(a) or 7(b) can be excluded under the entity contract by using the high risk land exclusion option.

C IDENTIFY SITUATIONS WHERE PERSONS DO NOT NEED TO BE LISTED FOR NCS PURPOSES

- (1) In certain instances, the selected name may be completely removed from the NCS listing and further underwriting review if the calculations performed under any part of Section 7 paragraph B result in less than a 10 percent decrease in coverages or less than a 10 percent increase in premium rates from those otherwise assigned by the actuarial table. This includes persons selected for the first time and persons reviewed on a yearly basis when participation is continuous. Do not confuse this with discontinuation of participation. (See Section 8 Paragraph D) This paragraph does not apply to identified pure land risk situations. Pure land risk must be evaluated separately by the underwriter using information specific to such land.
- (2) Eliminate persons from additional NCS review when:
 - (a) The person selected has pure land risk problems that have been or will be controlled under existing actuarial documents (FCI-33 or FCI-33

Supplement).

- (b) Coverages on existing actuarial documents (FCI-32 or FCI-32 Supplement) have been substantially reduced to a degree which indicates the problem is effectively solved.
 - (c) Data errors or omissions are discovered that affect insurance experience in such a way that initial selection criteria are no longer met.
 - (d) The selected person is no longer farming or is deceased.
 - (e) Substantial changes of an enduring nature have taken place in the farming operation that prevent types of prior insurance experience from being repeated in the future.
 - (f) Underwriting assessment, based on interpretation of all available information relevant to the contract and geographic area, determines NCS adjustments are not warranted. Documentation and approval by the RSO Director is required for each case.
 - (g) First time selected persons who have not earned a premium for the last four years in the base period.
 - (h) An entity is selected because a year drops out of the base period and the year added to the base period is a nonloss year (this includes no new experience).
- (3) Hail losses may not be counted against a person during the NCS process. When hail occurs within the insurance experience on all crops, other than apples and crops under income protection or crop revenue coverage policies:
- (a) Subtract indemnities from the person's total insurance experience for hail losses, (as applicable), by unit. If the entire amount of loss for the year is a result of deductible hail, do not count the year as a loss year.

- (b) Recalculate the person's **selection criteria** using the applicable program.
 - 1 If the criteria in Section 5A3 are still met continue the review process.
 - 2 If the criteria in Section 5A3 are no longer met eliminate the person from additional review.

- (4) **Prevented planting liability amounts, for the 1995 and succeeding years, used for selection and rate determinations are the same as if the crop had been planted. Prevented planting payments are considered for NCS determinations as follows:**
 - (a) For the 1995 and succeeding crop years, when a substitute crop was planted no indemnity will be counted. (Stage P1)
 - (b) For the 1995 crop year only, when an approved cover crop is planted that was not used for harvest, haying, or grazing, no indemnity will be counted. (Stage code P2)
 - (c) For the 1995 crop year only, when no crop is planted, the indemnity will be reduced by 1/3. (Stage code P4)
 - (d) Any prevented planting payments not previously referenced are counted as indemnities with no adjustments.

Follow steps 3(a) and (b) above excluding the applicable prevented planting payment amounts.

- (5) Replant payments may affect initial selection of a person.
 - (a) Remove indemnities for replants during initial selections.
 - (b) If NCS selection criteria are still met, perform the underwriting review and apply adjustment formulas using all insurance experience (including

replant payments but excluding hail as applicable in C3 above and prevented planting in C4 above).

- (6) When determining NCS rates for persons with experience from Crop Revenue Coverage, exclude history acquired from the revenue portion of the insurance history. Determine the production indemnity by multiplying the production to count by acreage report price election and loss share then subtract this amount from the acreage report liability. To determine the premium subtract the producer premium from the total premium, divide this premium by the applicable factor as follows:

coverage level	factor
50	.600
55	.503
60	.412
65	.417
70	.319
75	.235

- (7) NCS classifications will be assigned for all persons as specified in Paragraphs 1-6 above. Assigned classifications will only be changed due to:
 - (a) Favorable reconsideration or appeal findings.
 - (b) Yearly updating and recalculation of NCS coverages and rates for the selected person.
- (8) In all cases, when a name is removed from NCS review, document the specific reason(s).

D DISCONTINUATION OF PARTICIPATION

- (1) Discontinuation of Participation: In the event insurance participation is interrupted for one or more years following the assignment of a NCS coverage and/or rate, the most recent NCS classification assigned will be continued from year to year until participation has been renewed for at least one crop year and at least three years of insurance experience have occurred in the current base period. Exception, a Nonstandard

Classification will no longer be applicable to the person or the person on identified acreage if the Corporation determines the person is deceased.

- (2) When performing yearly NCS updates for persons that have discontinued participation, use each new year of experience data for calculating NCS adjustments. When no more experience is available, maintain the most recent classification unchanged until conditions in Paragraph 1 are met. The underwriter will need to perform a yearly review of contracts to determine when these participation requirements are met.

E DOCUMENTATION REQUIREMENTS

- (1) Documentation is critical of all NCS aspects. Such documentation will be important during the reconsideration process, appeals process, yearly NCS updates, and should litigation be pursued by an affected person.
- (2) Documentation is required when NCS adjustments are made for persons and/or made for land.
- (3) For NCS adjustments assigned to persons:
 - (a) Maintain a separate file for each person by state, by crop. A file should be maintained for all persons shown on initial preliminary listings and any persons added to this listing. This file should be cross-referenced with state and county locations and any other entity names meeting substantial beneficial interest requirements.
 - (b) This file will contain:
 - 1 All insurance experience printouts for the person.
 - 2 All rate and coverage calculation printouts for the person.
 - 3 Underwriting review documentation. (Exhibit 9.)

- 4 All notes taken during the review process.
- 5 A log of all telephone conversations regarding inquiries about classification changes assigned to the person. This should show date, who the conversation was with, and subject.
- (4) For NCS adjustments assigned to land only:
- (a) Maintain all documentation relevant to specified land reclassification in the county work folder for the county.
- (b) If adjustments are applied to a person-land description, maintain all information in the file for that person. A copy of this information should also be placed in the county work folder.
- (5) When a name will not be used for NCS purposes, document the specific reason(s). Retain the file for a period of three years.

9 UNDERWRITING ADJUSTMENT FORMULAS

A EXPLANATION OF FORMULAS

- (1) NCS rate and coverage adjustment will be accomplished through a series of defined formulas. Computer programs are available to accomplish these tasks. Some crop categories are limited to rate adjustments only. Refer to Section 10. Performing NCS adjustment requires the use of basic insurance data obtained during the underwriting review process. Such information may be combined or separated depending on the type of contract problem identified in Section 8.
- (2) The following information is necessary to perform adjustments applied to persons:
- (a) **Total Liability By Year.** The sum of liability for the selected person and any entities in which that person has a substantial beneficial interest by year. (May be separated by practice/Type/Option.)

- (b) **Total Premium By Year.** The sum of premium for the selected person and any entities in which that person has a substantial beneficial interest by year. Total premium is producer paid premium plus the government subsidy. (Separated by practice/Type/Option as necessary.)
 - (c) **Total Indemnity By Year.** The sum of indemnity for the selected person and any entities in which that person has a substantial beneficial interest by year. (Separated by practice/Type/Option as necessary.)
 - (d) **Total Known Production By Year.** The sum of known production from all losses plus the liability from units on which no loss was reported by the selected person and any entities in which that person has a substantial beneficial interest by year. This amount is in dollars and is calculated by subtracting total indemnity from total liability. (Separated by Practice/Type/Option as necessary.)
 - (e) **Actual Yields.** (When applied to a specified person-specified land) All available actual yields obtained by the selected person on the specified land. NOTE: When classifications are assigned to a person in this manner, only insurance experience of that person and any entities in which that person has a substantial beneficial interest can be used. Experience from unrelated persons cannot be used.
- (3) When NCS adjustments are applied to land (for all persons), the following information is necessary:
- (a) **Total Liability By Year.** The sum of liability obtained from all insurance records on the land by year. (Maybe separated by practice/Type/Option.)
 - (b) **Total Premium By Year.** The sum of premium taken from all insurance records on the land. Total premium is producer paid premium plus the government subsidy. (Separated by practice/Type/Option as necessary.)

- (c) **Total Indemnity By Year.** The sum of indemnity taken from all insurance records on the land by year. (Separated by practice/Type/Option as necessary.)
 - (d) **Total Known Production By Year.** The sum of known production from all insurance records on the land by year. This amount is in dollars and is calculated by subtracting total indemnity from total liability. (Separated by practice/Type/Option as necessary.)
 - (e) **Actual Yields.** (When applied to a specified land.) All available actual yields by year obtained from insurance records on the specified land. (Separated by practice/Type/Option as necessary.)
- (4) Underwriting adjustment formulas identified in Sections 2 through 5 in this part rely on the data obtained in Paragraphs 2 and 3 above. Consult available FCIC 24010 Classification Standards Handbook for alternative methods applying specifically to land.
 - (5) Underwriting Adjustment Formulas contained in this Section are:
 - (a) **COVERAGE AND RATE FORMULA FOR PERSONS.**
 - (b) **COVERAGE FORMULA FOR LAND.**
 - (c) **RATE ONLY FORMULA FOR PERSONS.**
 - (d) **RATE FORMULA FOR LAND.**

B COVERAGE AND RATE FORMULA FOR PERSONS

STEP 1
COVERAGE ADJUSTMENT

- (1) **NCS Yield Factor = 1 - [(LCR - EPR) x F]**
The NCS yield factor is applied to 100% of the T yield and is applicable, only if, it is less than the APH variable T yield factor.
- (2) Where:

- LCR** = Loss Cost Ratio (Accumulated)
EPR = Cumulative Earned Premium Rate During The Identified Base Period.
F = Loss Frequency (The Number Of Years Indemnity Divided By The Number Of Years Premium.)

STEP 2
 RESTRUCTURE CONTRACT EXPERIENCE

- (3) Upon completion of STEP 1, contract experience (Liability, Premium, and Indemnity) is restructured to account for the estimated effects of coverage adjustment. This is necessary before rate may be calculated in STEP 3.
- (4) **New Liability = Previous Liability x NCS Yield Factor**
- (5) **New Indemnity = New Liability - Known Production**
- (6) When contract experience has been restructured, calculate:

$$\text{Theoretical Loss Cost} = \frac{\text{Sum of New Indemnities}}{\text{Sum of New Liabilities}}$$

STEP 3
 RATE CALCULATION

- (7) New recommended rate is determined by:
- (a) **NCS Rate = Theoretical Loss Cost * .93 * Level differential.**
- (8) Upon completion of STEP 3, review the effects coverage adjustment alone will have on premium rates resulting from R-Span changes. In some cases, the R-Span rate will be higher than the New Rate calculated in Step 3. When this happens, DO NOT assign the New Rate for classification purposes. See cautionary note in Section 8 Paragraph B(6).
- (9) Use of the Coverage And Rate Formula For Persons differs from that outlined in Paragraphs 1-8 above when dealing with Category A and F Producer listing crops

and some Category C crops where yields are approved by the RSO.

- (a) STEP 1 (Determine coverage adjustment already made.) Determine coverage adjustment which has been made over the experience base period for the Producer by:

1 For Category A and F producer listing crops:
Coverage Factor = Current Classification (lbs.) divided by Prior Classification (lbs.)

a Prior classification means the highest prior individual classification during the base period.

b Current classification means the most recent FCI-32 classification.

2 For Category C crops where yields are approved by the RSO:

Coverage Factor = Most Recent Approved Yield divided by the Highest Prior Approved Yield assigned during the base period.

- (b) STEP 2 (Restructure Contract Experience)

1 **New Liability = Previous Liability x Coverage Factor**

2 **New Indemnity = New Liability - Known Production**

3 When contract experience has been restructured, calculate:

Theoretical Loss Cost = Sum of New Indemnities/by The Sum of New Liabilities

- (c) STEP 3 (Rate Calculation)

(1) **NCS Rate = Theoretical Loss Cost * .93) * level differential**

NOTE: In some cases, the R-Span rate will be higher than the New Rate calculated in Step 3. When this happens, DO NOT assign the New Rate for classification purposes. See cautionary note in Section 8, Paragraph B (6).

C COVERAGE FORMULA FOR LAND

- (1) When adjusting coverage for a specified land or a specified person-practice/Type/Option-land, use the coverage formula contained in this section. Rate may also be adjusted under **paragraph E** within this section. A minimum three years of records is required. The formula is referred to as The Coverage Formula For Land.
- (2) **Nonactual Yield = Sum of the actual yields obtained from insurance experience on the specified land and practice divided by the number of actual yields. (A minimum of three actual yields is required.)**
- (3) When adjusting coverage on specified land for all persons, the Nonactual Yield will be published on the FCI-33 Supplement.
- (4) When adjusting coverage for a specified person-practice/Type/Option-land or person-specified land, the calculated Nonactual Yield must be converted to an NCS Yield Factor and published on the FCI-35 Supplement. DO NOT publish a name and an actual calculated yield. To convert Nonactual calculated yields to NCS Yield Factors use:

NCS Yield Factor = Nonactual Yield / Most Recent Available T Yield. (Rounded to two decimal places.)
- (5) Consult available FCIC 24010 Classification Standards Handbook for alternative methods of adjusting coverage on land.

D RATE ONLY FORMULA FOR PERSONS

- (1) Coverage adjustment for persons is not an option with some crops. Rate is the only NCS adjustment possible.

In other situations, rate only may be preferred over the Coverage And Rate Formula For Persons. For example, a Category B producer with a high percentage of reported yields would not be adequately affected by NCS Yield Factors.

- (2) Use this Section for rate only NCS applications. The formula will be referred to as the Rate Only Formula For Persons. Use this formula when adjusting a Person-All Practices/Type/Options-All Land or a Person-Specified Practice/Type/Option-All Land.

(a) **NCS Rate = ((Indemnity / Liability) * .93) * level differential**

- (b) Where:

Indemnities and liabilities are summed for the person in the base period for:

- 1 A person for all practices/types/options during the base period, or
- 2 a specified practice/type/options within the person's insurance experience during the base period.

- (3) All other rate formulas used for NCS purposes are identical to the Rate Only Formula For Persons. The only differences are how loss cost is determined.

E RATE FORMULA FOR LAND

- (1) When adjusting rate for Specific Land or a Person-Practice-Specified Land, use the rate formula contained in this section. Coverages may also be adjusted under Section 3 of this part. A minimum three years of data is required. The formula is referred to as The Rate Formula For Land.

(a) **NCS Rate = ((Indemnity / Liability) * .93) * level differential**

- (b) Indemnities and liabilities are summed on the specified land in the base period for:

- 1 All practices/Type/Options, or
- 2 where applied, by specified practice/Type/Option on the land.
- (2) Rate determinations will be published on the FCI-33 Supplement for pure land risk, or the FCI-35 Supplement for person, optional practice/Type/Option, and specific land.
- (3) **Alternative to the Rate Formula For Land.** When pure risk land is identified through NCS review, standard Regional Service Office procedures for rating such land may be utilized. Rates may be developed for flood frequency, fragile lands, drought prone soils, or soils exhibiting other land class limitations. Sources of data to be used include: Army Corps of Engineers, Natural Resources and Conservation Service, Soil Surveys, and field reviews.

NOTE: For Category A crops, an FCI-32 Listing and/or FCI-32 Listing Supplement will be used for NCS purposes in lieu of forms FCI-33 Supplement or FCI-35 Supplement. Review Section 10.

F **EXCEPTIONS TO APPLIED FORMULA ADJUSTMENTS**

- (1) Under certain conditions, coverage and rate adjustments determined from applied formulas may be moderated. Upon recommendation of an RSO underwriter and approval by the RSO director, a .50 cup on NCS Yield Factors and/or a Level 3 50% base premium rate maximum may be applied when the selected person only has three loss years during the base period and the selected person's insurance experience is better than other cumulative insurance experience obtained in the geographical area during the identified year(s). Measures of severity will be in terms of cumulative loss cost for the county verses loss cost for the person by year.
- (2) Exception 1 will not be applied to persons with four or more losses during the base period.
- (3) Refer to Section 8 Paragraph C (3), (4), (5) & (6) when

dealing with hail losses, prevented planting payments, replant payments or crop revenue coverage experience.

G USE OF COMPUTER PROGRAMS

- (1) A wide variety of computer programs are required to accomplish NCS objectives. Programs will be used to:
 - (a) Gather all available insurance experience data for an entity. The EXPER data base will be used.
 - (b) Evaluate existing coverages in effect for the entity. The YLDHIST data base will be used.
 - (c) Calculate coverage and/or rate adjustments made for land or persons. Established files written for the applicable program will be used.
- (2) Use of the EXPER data base:
 - (a) Standard FOCEXEC's for gathering insurance experience will be available. These programs will provide all relevant contract data for the person being reviewed. This information will be necessary for:
 - 1 Combining or separating experience for persons.
 - 2 Defining experience by practice.
 - 3 Identifying the types of contract problems.
 - (b) EXPER may also be used to identify other entities in which a person has an interest.
 - (c) Additional FOCEXEC's may be written in coordination with Field Statistic Coordinators to handle different kinds of NCS review. Such variations may result from specific crop category requirements or unique circumstances affecting each contract review.
- (3) Use of the YLDHIST data base:
 - (a) Standard FOCEXEC's will be used for obtaining

reported FCI-19A or equivalent data on which coverage was determined. Such information will be used primarily to:

- 1 Determine the type of NCS adjustment necessary.
 - 2 Determine the effect of NCS adjustments.
 - 3 Identify types of contract problems.
- (b) Additional FOCEXEC's may be written in coordination with Field Statistic Coordinators to handle different kinds of NCS review. Such variations may result from specific crop category requirements or unique circumstances affecting each contract review.
- (4) Use of the Informix program:
- (a) These files are necessary for making calculations identified in this Section. To use the **Informix NCS** program follow the instructions as outlined for that program under a separate guide.
 - (b) When performing NCS calculations, BE SURE to use the correct calculation for the type of crop actuarial structure.
 - (c) Refer to Exhibit 10, Computation Printouts for an example of how the **Informix NCS** program is used.

H LEVELS OF COVERAGE AND PRACTICES

- (1) The underwriting review must determine which level of coverage exists on the contract.
 - (a) When all experience is at the same level take the NCS calculated rate and apply the applicable level differential to bring the rate to level 3.
 - (b) When experience is not limited to one level of insurance, determine a weighted average coverage level(WACL). Calculate total liability for each year by dividing the annual liability by the

annual coverage level. Sum annual liabilities and divide by the sum of the total liabilities giving the WACL. Use the appropriate level differential (by crop) to bring the rate to level 3.

- (2) When a crop has a significant high rate differential (greater than 10%) between established practices/Type/Options, NCS rate adjustments should reflect this difference. Varying NCS rates by practice/Type/Option is optional. Methods used for apportioning NCS rates by practice and/or Type/Option will be consistent by RSO. To ensure consistency, each RSO will establish general guidelines to address practice/Type/Option situations. Guidelines should address the crop practices and/or Type/Options which will have separate NCS rate adjustments. Once established, all underwriters will use the guidelines in all calculations involving rating differentials between practices/Type/Options.
- (3) SF and CC practices receive special consideration when determining the appropriate coverage. When only one year of actual records exist for the SF practice use the highest yield determined when the coverage is calculated by each practice.

I **DISASTER ADJUSTMENT PROCEDURE (DAP)**

- (1) The Disaster Adjustment Procedure (DAP) is used to adjust individual insurance experience for the effects of naturally occurring disastrous crop growing conditions. For the purposes of DAP, a disaster is defined as any crop yield less than the derived threshold yield (target yield). The target yield shall be the difference of the average yield minus one standard deviation calculated from a twenty year base period. For each identified disaster year, the ratio (hereafter referred to as DAP) of actual yield divided by the target yield is used to adjust individual contract indemnities for the corresponding year.
- (2) To accomplish the requirements of DAP, the Regional Service Office must perform these functions:
 - (a) Obtain, review, and adjust yield data as necessary to develop DAP factors by crop, by county, for use

by **Product Development** Division during initial NCS selection.

- (b) The yield data primary source is NASS; however, alternative sources may be used, as approved by the RSO Director.
- (c) DAP factors derived from the target yield may result in adjacent county(ies) inconsistencies or failure to adequately adjust for known catastrophic years. The following modifications to the target yield may be applied on a county or regional basis with RSO Director approval to resolve such issues:
 - 1 Practice/Type/Option specific basis; and/or,
 - 2 yield trends attributed to time; and /or,
 - 3 modified base period of years, and /or,
 - 4 percentile of the standard deviation (not less than 0.50 unless approved by Research and Development;) or,
 - 5 other means as approved by Research and Development.

NOTE: Items submitted for approval must be submitted to the director for **Product Development** Division through the Office of the Director for the Insurance Services Division.

- (d) Apply yield factors as necessary during the underwriting review process for administration of NCS.

(3) County yield factors (DAP factors) are determined according to the following formula:

(a) **County Yield Factor (DAP) = Annual Yield / Target Yield**

Where:

Annual Yield - The county average yield by year. (Referred to as the planted or harvested yield in the computer program)

Target Yield - Average Yield minus 1 standard deviation.

*Average Yield. The twenty year county average yield.

*Standard Deviation. The population standard deviation of the twenty years of county average yields.

* Average yield and Standard Deviation may be determined on other than 20 years of data if the county does not have data to support twenty years or if the data is so abnormal that to use the 20 year average would distort the standard deviation. To use other than 20 years of data must be approved by the RSO director.

NOTE: The target yield will be updated every 5 years. If a target yield has been determined for the county less than 5 years ago, do not recalculate it. Use the previous year's target yield to determine the DAP factors for the latest two years in the NCS base period.

In 1998 and every succeeding five years the following crops target yield will be recalculated:

Soybeans	Barley	Tobacco	Rice
Corn	Hybrid Seed	Peanuts	Wheat
Cotton	(Corn & Sorghum)	ELS Cotton	
Grain Sorghum	Oat	Rye	

In the year 2000 and every succeeding five years the following crops target yield will be recalculated:

Almonds	Grapes	Plums	Sugarcane
Apples	Table Grapes	Popcorn	Sunflowers
Canning Beans	Onions	Potatoes	Sweet Corn C&f
Beans, Dry	Peaches	Prunes	Tomatoes C&p
Cranberries	Peas (Green)	Safflowers	Walnuts
Figs	Peas (Dry)	Stonefruit	Citrus (Az/Ca)
Flax	Pears		

In the year 2001 and every succeeding five years the following crops target yield will be recalculated:

Citrus Florida	Forage Production	Peppers
Fresh Mket Swt Corn	Fresh Mket Tomato	Sugar Beets

All DAP factors prior to the last two years will remain the same when a new target yield is calculated. (Exception: When an obvious error has been made, which makes a difference of 10% or more.)

- (b) **When the Annual Yield is greater than the Target Yield, the DAP factor will be equal to 1.00.**
- (c) When **calculating** DAP factors, an annual (**planted or harvested yield**) or adjusted yield is needed for all years used in the base period. **If there is no annual or adjusted yield designated a 0 will be calculated for the DAP factor for that year.** If you are unable to obtain a preliminary yield from NASS and growing conditions were not unusually abnormal, the average yield for the base period should be entered as the Underwriter Adjusted yield.

(4) Contract indemnities by county and year will be adjusted according to the following formula:

$$(a) \text{ Liability } \times (1 - \text{DAP Factor}) = \text{Adjustment}$$

$$\text{Indemnity} - \text{Adjustment} = \text{Adjusted Indemnity (Capped at 0)}$$

(5) The following example shows how individual contract experience is adjusted by the County Yield (DAP) Factor:

Actual Insurance Experience:				DAP
<u>Year</u>	<u>Liability</u>	<u>Premium</u>	<u>Indemnity</u>	<u>Factor</u>
1986	12124	631	715	1.00
1987	16553	834	10909	.75
1988	1732	181	0	1.00
1989	1422	95	701	1.00

$$Z \text{ Score} = 4.52$$

$$\text{Loss Frequency} = .75$$

$$\text{Nonactual Yld} = .75$$

$$\text{Rate} = 25.00$$

In 1987, the DAP Factor is 0.75. The 1987 indemnity is adjusted by:

$$16553 \times (1.00 - 0.75) = 4138.25$$

$$10909 - 4138.25 = 6771 \text{ Adjusted Indemnity}$$

Insurance experience is restructured to show:

<u>Year</u>	<u>Liability</u>	<u>Premium</u>	<u>Indemnity</u>	<u>Adj. Indem.</u>
1986	12124	631	715	715
1987	16553	834	10909	6771
1988	1732	181	0	0
1989	1422	95	701	701

$$Z \text{ Score} = 3.68$$

$$\text{Loss Frequency} = .75$$

$$\text{Nonactual Yld} = () \text{ NCS adjustment not applicable}$$

$$\text{Rate} = \text{NCS adjustment not applicable}$$

In this example, the minimum Z criteria score (4.00) was no longer met. Adjustments are not made on this contract.

10 NCS PROVISIONS BY CROP CATEGORY

A CATEGORY A AND F CROPS

- (1) **Category A and F Crops.** Peanuts and Tobacco (flue Cured), Tobacco (Fire Cured), Tobacco (Dark Air), and Tobacco (Cigar Binder) Types 54, and 55 where producer listing classifications are assigned on forms FCI-32 Listing and FCI-32 Supplement Listing.
- (2) **NCS Selection Process Tobacco.**

Selection process is done by crop code.
- (3) **NCS Options.**
 - (a) RATE ONLY FORMULA FOR PERSONS
Person-all practices/Type/Options-all land.
All Tobacco will be adjusted under this formula.
 - (b) Coverage may also be adjusted on the FCI-32 Supplement or an FSN Only Listing included in the FCI-32 Listing.
 - (c) COVERAGE FORMULA FOR LAND
Optional practice/Type/Option-Specific land.
- (4) **Methods.**
 - (a) When a person is routinely experiencing extreme variations in average yield from unit to unit each year, then a rate adjustment may be necessary using the RATE ONLY FORMULA FOR PERSONS. Refer to Underwriting Adjustments Formula, Section 9 Paragraph D. Rates assigned by this formula will be applied to the person. Publish the person and rates on the FCI-32 Supplement.
 - (b) When adjusting coverage, the underwriter will run a FOCEXEC which gives year, unit #, FSN, share, classification, liability, and premium data. Compare the classification used by the person for insurance purposes to the classification shown on the FCI-32 for the person and crop year.

Determine if the classification was taken directly from the FCI-32 Listing or derived from a sharing producer as allowed by the FCI-32 Rules Page.

1 If the producer is using another producer's classification:

a Determine the identity of the other producer from the FCIC actual yield history data base obtained from FSA.

b Review experience of the other producer to determine if a problem exists with that producer or a specific farm.

2 If the producer is using the classification taken directly from the FCI-32 Listing, review insurance experience to determine if losses are tied to a particular unit or if a problem exists on the entire contract.

(c) If losses are the result of the identified insured using another producer's classification as allowed by the FCI-32 Rules Page, then the insured's name should be removed from the FCI-32 Listing and placed on the FCI-32 Supplement. The coverage classification shall remain the same for the identified person. Statements on the FCI-32 Supplement will provide that for classification purposes use the lower of:

1 The classification of the listed producer, or

2 The classification of the entity sharing with the listed producer.

(d) Coverage Classification Adjustments For Land. If the problem can be traced to a specific FSN, then the FSN may be reclassified and placed at the end of the FCI-32 Listing. A three year minimum of data is required. The applicable classification will be determined from a simple average of the available actual yields.

B CATEGORY B CROPS

(1) **Category B Crops.** Barley, Canning and Processing Beans, Corn, Cotton, Cotton (ELS), Dry Beans (including bush varieties for garden seed.), Flax, Forage Production, Grain Sorghum, Oats, Onions, Peas, Potatoes, Popcorn, Rice, Rye, Soybeans, Safflower Seed, Sugarcane, Sugar Beets, Sweet Corn (Canning and Freezing), Sunflower Seed, Tobacco (Maryland), Tobacco (Cigar Filler), Tobacco (Cigar Binder) type 51 and 52, Tobacco (cigar wrapper) ; Tomatoes (Canning and Processing and Fresh Market Production Plan), and Wheat.

(2) **NCS SELECTIONS**

Selection is made by crop code with the following exceptions. Group risk policy experience is kept separate from the basic crop experience. NCS does not apply to the group risk protection policies. Crop Revenue Coverage and Income Protection coverage is added as part of the basic crop experience (excluding experience resulting from price changes for CRC).

(3) **NCS Options.**

(a) RATE AND COVERAGE FORMULA FOR PERSONS

Person-all practices/Type/Options-all land
 Person-specified practice/Type/Option-all land

(b) RATE ONLY FORMULA FOR PERSONS

Person-all practices/Type/Option-all land
 Person-specified practice/Type/Option-all land

(c) RATE FORMULA FOR LAND

Specified land-all practices/Type/Options
 Specified land-specified practice/Type/Option
 Person-specified land-all practices/Type/Option
 Person-specified land-specified practice/Type/Option

- (d) COVERAGE FORMULA FOR LAND
Specified land-all practices/Type/Options
Specified land-specified practice/Type/Option
Person-specified land-all
practices/Type/Option
Person-specified land-specified
practice/Type/Option

NOTE: When Master Yields are involved, the RATE ONLY FORMULA FOR PERSONS is the only possible NCS adjustment for persons. The COVERAGE AND RATE FORMULA FOR PERSONS is not an option.

(4) **Methods.**

- (a) Refer to the Detailed Underwriting Contract Review, Section 8 Paragraph A and B. The process involves gathering and separating all relevant and available data, identifying the problem(s), and determining the best appropriate NCS option for dealing with the problem. Refer to the Underwriting Adjustment Formulas, Section 9 for explanation of formulas used.
- (b) General Guide For Using The RATE AND COVERAGE FORMULA FOR PERSONS.
- 1 When person-specific practice/Type/Option is identified as the sole risk.
 - 2 When the person is heavily reliant on nonactual yields for insurance guarantees.
 - 3 When the person consistently experiences losses on one or more units where physical hazards are not evident.
 - 4 When the person is continuously insuring or creating new units.
 - 5 When there is no identifiable pattern of losses within the contract.
- (c) General Guide For Using The RATE ONLY FORMULA FOR PERSONS.

- 1 As an alternative to circumstances contained in B Paragraph (4)(b) 1-5 above.
 - 2 When the person has a large percentage of reported yields that effectively limit the impact of coverage adjustment.
 - 3 When the affected crop is limited to a five year yield base. An exception may be B Paragraph (4)(b)4 above.
- (d) General Guide For Using The RATE FORMULA FOR LAND.
- 1 When land limitations are identified as the major risk.
 - 2 When person-specific land is identified as the major risk.
 - 3 When person-practice/Type/Option-specific land is identified as the major risk.
- (e) General Guide For Using The COVERAGE FORMULA FOR LAND.
- 1 As an alternative to circumstances contained in B Paragraph (4)(d)1-3 above.
 - 2 When determined land risk is identified as extreme, a rate adjustment alone will not handle the risk due to rate subsidies.
 - 3 When determining coverage in the situations outlined in B Paragraph (4)(d)2-3 above, the calculated yield must be expressed as a factor before publishing in association with a person.
 - 4 When corporation assigned yields are clearly unrealistic based on insurance experience of the land.
- (5) It is important to note general guidelines contained in paragraphs (b) through (e) above may not fit every situation. Each contract reviewed may have a unique set of problems. The underwriter must review each

alternative and determine the best solution to the problem.

- (6) Use forms FCI-33 Supplement and FCI-35 Supplement to accomplish adjustments made under this section.

C CATEGORY C CROPS

- (1) **Category C Crops.** Almonds, apples, oranges(early & midseason), oranges(late), grapefruit(all other), grapefruit(Rio Red & Star Ruby), grapefruit(Ruby Red), oranges(Navel), oranges(Sweet), oranges(Valencia), tangelos(Minneola), tangelos(Orlando), mandarins(Kinnow), lemons, grapefruit, cranberries, figs, grapes, peaches, pears, prunes, , apricots (fresh), apricots(proc), nectarines(fresh), peaches, cling(fresh), peaches freestone(proc), macadamia nuts, peaches, freestone(fresh) table grapes, plums, and walnuts.

(2) **NCS Selection Process**

Selection is done by crop code.

Within California grapes the experience will be combined to determine NCS eligibility. The underwriter may make adjustments by type.

(3) **NCS Options.**

- (a) RATE AND COVERAGE FORMULA FOR PERSONS
 Person-all practices/Type/Options-all land
 Person-specified practice/Type/Option-all land
- (b) RATE ONLY FORMULA FOR PERSONS
 Person-all practices/Type/Options-all land
 Person-specified practice/Type/Option-all land
- (c) RATE FORMULA FOR LAND
 Specified land-all practices/Type/Options

Specified land-specified practice/Type/Option
 Person-specified land-all
 practices/Type/Options
 Person-specified land-specified
 practice/Type/Option

- (d) COVERAGE FORMULA FOR LAND
 Specified land-all practices/Type/Options
 Specified land-specified practice/Type/Option
 Person-specified land-all
 practices/Type/Options
 Person-specified land-specified
 practice/Type/Option

(4) **Methods.**

- (a) Methods used are identical to those for Category B crops (Section 2). Exceptions are noted in this part. Also refer to the Detailed Underwriting Contract Review, Section 8 Paragraph A (1) and (2). The process involves gathering and separating all relevant and available data, identifying the problem(s), and determining the best appropriate NCS option for dealing with the problems. Refer to the Underwriting Adjustment Formulas, Section 9, for explanation of formulas used.

(b) **Perennial Crops.**

1 For perennial crops that require RSO approved coverages:

a The RSO may adjust preliminary yields of a person according to RSO guidelines for the crop through use of the FCI-19A or equivalent form. The FCI-35 Supplement will not be used for this purpose.

b Rates may also be adjusted for NCS purposes using the RATE ONLY FORMULA FOR PERSONS or the RATE FORMULA FOR LAND. The FCI-35 Supplement will be used.

c Use caution when adjusting coverage and

rate under these circumstances.

- 2 For perennial crops that do not require RSO approved coverages only rates may be adjusted for NCS purposes. Use the RATE ONLY FORMULA FOR PERSONS or the RATE FORMULA FOR LAND.

D CATEGORY D CROPS

- (1) **Category D Crops.** citrus (Florida), hybrid seed (corn and grain sorghum), peppers, raisins, sweet corn (fresh market), nursery stock and tomatoes (fresh market).
- (2) **NCS Options.**
- (a) RATE ONLY FORMULA FOR PERSONS
Person-all practices/Type/Options-all land
Person-specified practice/Type/Option-all land
- (b) RATE FORMULA FOR LAND
Specified land-all practices/Type/Options
Specified land-specified practice/Type/Option
Person-specified land-all practices/Type/Options
Person-specified land-specified
practice/Type/Option
- (3) **Methods.**
- (a) Refer to the Detailed Underwriting Contract Review Sections 8 Paragraph A and B. The process involves gathering and separating all relevant and available data, identifying the problem(s), and determining the best appropriate NCS option for dealing with the problem. Refer to the Underwriting Adjustment Formulas, Section 9, for explanation of formulas used.
- (b) Persons selected under NCS will receive rate adjustments using the RATE ONLY FORMULA FOR PERSONS.
- (c) For hybrid seed, when adverse insurance experience is tied to a seed company, the calculated company factor may be adjusted downward upon approval by

Actuarial **Design** Branch. Company factors may be reduced to .50.

E CATEGORY E & G CROPS

(1) **Category E Crops.** Quota plan tobacco(**burley**) and **nursery stock.**

(2) **NCS Options.**

RATE ONLY FORMULA FOR PERSONS
Person-all land

(3) **Methods.**

- (a) Refer to the Detailed Underwriting Contract Review, Section 8 Paragraph A and B. The process involves gathering and separating all relevant and available data, identifying the problem(s), and determining the best appropriate NCS option for dealing with the problem. Refer to the Underwriting Adjustment Formulas, Section 9, for explanation of formulas used.
- (b) Persons selected under NCS will receive rate adjustments using the RATE ONLY FORMULA FOR PERSONS.

F SUMMARY OF NCS OPTIONS BY CROP CATEGORY

Formula	Crop Category						
	A	B	C	D	E	F	G
RATE AND COVERAGE FORMULA FOR PERSONS		X	X				
			/3				
RATE ONLY FORMULA FOR PERSONS	X	X	X	X	X	X	X
RATE FORMULA FOR LAND		X	X	X			
COVERAGE FORMULA FOR LAND	X	X	X			X	
	/4	/4	/3/4			/4	
OTHER	X	X	X	X	X	X	X
	/1/2	/2	/2	/2	/2	/1/2	/2

- /1 Refer to Section 10, Paragraph A(3)(b) & (c).
- /2 Refer to Underwriting Adjustment Formulas, Section 9, Paragraph E (3).
- /3 The COVERAGE AND RATE FORMULA FOR PERSONS cannot be used when Master Yields are involved for the crop.
- /4 Refer to available FCI-24010-Classification Standards Handbook for possible alternative methods of establishing coverage on land.

11 NOTIFICATION OF NCS ADJUSTMENTS MADE TO PERSONS**A PERSON ONLY NCS ADJUSTMENTS**

- (1) For first time NCS adjustments made to persons. The Regional Service Office will notify all persons to be listed for NCS purposes before publishing such adjustments in the Actuarial Document Book. A form letter will be mailed by certified return receipt mail.
 - (a) The affected person will be notified no later than **forty-five (45)** calendar days prior to mailing of the Actuarial Document Book.
 - (b) The form letter shows changes made, insurance experience, reasons for adjustments, and reconsideration rights. Refer to Exhibit 2a for this letter. Insureds will have **thirty (30)** calendar days from the date notification is received (as determined by certified mail) to file a reconsideration.
 - (c) For the most recent crop year the insurance contract was active, a courtesy copy of the notification letter will be mailed to the insurance provider.

NOTE: Be sure to mark the courtesy copy of the letter "For Company Use only" so the agent will know to maintain it in his/her files and not forward it to the insured.

- (2) The RSO will maintain a log of all NCS entities. This log will show:
 - (a) The person's name and address. List the insured's name as that shown on the preliminary listing under the name field. If there are multiple names shown on various contracts for the same insured, then enter the entity's legal name (last, first and middle initial).

- (b) The last known policy number for the last year of insurance experience for each entity as shown on the preliminary listing. A policy number is entered for each county in which the entity is listed. If there is no policy number applicable (e.g. substantial beneficial interest) do not enter a policy number.
- (c) The last known five digit Company Code.
- (d) The exact date the letter was mailed to the person.
- (e) The date the letter was received by the person.
 - (1) This is determined from the certified letter return receipt.
 - (2) Return receipts will be placed in documentation files for the person.
- (f) History of insured's base period consisting of the year of insurance, premium, indemnity, liability, and adjusted indemnity (the RSO data base will retain the excluded indemnity).

* When updating the history, if the NCS classification has been assigned and not used, the compliance office should be notified.
- (g) Applicable rate, factor, Type/Option and practice.
- (h) Legal Description and/or Farm Serial Number.
- (I) Reconsideration Results, if applicable.
- (j) The social security number (SSN) /Employer Identification number (EIN) for the entity listed. Do not duplicate this number for other entities.

NOTE: For further instructions on keying information into the RSO data base, please refer to the Regional Service Office Systems Users Manual.

- (3) The person, upon receiving notice from the RSO, will be

responsible for giving notice to any other person(s) with an insurable interest affected by NCS adjustments. The person must give notice to those other affected persons:

- (a) Prior to the sales closing date if the other affected person(s) has an established insurable interest at the time the classified person is notified by the RSO, or
 - (b) Prior to the classified person's establishing an insurable interest of another person that will be affected by the classification.
- (4) When a person will not accept delivery of the certified mail notification letter:
- (a) File the returned letter, envelope, and receipt (green card) in the person's folder for documentation purposes.
 - (b) On the NCS log, enter the date the person refused delivery of the letter as the date notification was received. If this date is unavailable, enter the date the RSO received the return receipt.
 - (c) When the insured does not pick up the certified letter, enter the date the letter is received back in the RSO as the date notification was received.
 - (d) In all other instances when the letter is not delivered to the insured, enter the date the letter is received back by the RSO.
 - (e) The RSO will then mail a copy of the notification letter to the person via regular first class mail.
- (5) When you do not have the current address of an entity:
- (a) Contact the post office for the last postal address.
 - (b) Check FSA records for the address on their file.
 - (c) Check with the last known insurance company.

- (d) Document research and follow step (d) in item 4.
- (6) When an entity name is removed from NCS due to no longer farming, deceased, no removal letter is sent.
- (7) Notification of removal should be made 30 days in advance of the sales closing date. The company identified in item 1c should receive either a copy of the removal letter or a listing designating the entities being removed by state and county and if applicable by Type/Option and practice.

12 ACTUARIAL DOCUMENT BOOK PREPARATION AND FILING**A NCS ADJUSTMENTS WILL BE PUBLISHED IN THE ACTUARIAL DOCUMENT BOOK BY COUNTY BY CROP**

- (1) For NCS adjustments made to persons:
- (a) Use the FCI-32 Listing Supplement for Category A & F crops.
 - (b) Use the FCI-35 Actuarial Table Supplement for all other crop categories.
 - (c) Possible listing options are:
 - 1 Person-All Practices/Type/Options-All Land.
 - 2 Person-Specified Practice/Type/Option-All Land.
 - 3 Person-Specified Practice/Type/Option-Specified Land.
 - (d) Refer to Section 10 for possible limitations of options contained in A(1)(c) above by crop category.
 - (e) Calculated NCS coverage adjustments will be assigned on documents using NCS Yield Factors only.
 - 1 NCS Yield Factors determined from the COVERAGE AND RATE FORMULA FOR PERSONS will be published with the person name.
 - 2 Do not list a person and an actual yield together. Yields determined from the COVERAGE FORMULA FOR LAND must be published as an NCS Yield Factor. Refer to Section 8 Paragraph B (5)(c).
- (2) For NCS adjustments made to land:
- (a) Use the FCI-32 Listing for Category A crops.
 - (b) Use the FCI-33 Actuarial Map Supplement for all

other crop categories. (Even if the county/crop does not have an FCI-33 Actuarial Map.)

- (c) Possible listing options are:
- 1 Specified land-all practices/Type/Options.
 - 2 Specified land-specified practice/Type/Option.
- (d) Refer to the Crop Provisions Section for possible limitations of listing options contained in 2(c) above by crop category.
- (e) Calculated NCS coverage adjustments will be assigned on documents as Nonactual Yields (T yields) for the land.
- 1 Refer to Section 9 Paragraph C for yield calculations.
 - 2 The published listing will be by crop and only show:
 - a Land description.
 - b Assigned Nonactual Yield and/or rates.
 - c Practices/Type/Options, where applicable.
 - 3 Names of persons WILL NOT appear on this listing.
 - 4 The FCI-33 Supplement and FCI-35 Supplement will be filed with the county actuarial document book. Supplements will be issued by crop and located directly following the FCI-35 County Coverage And Rate Table for the affected crop.
 - 5 All Supplement cover pages will contain standard statements regarding implementation of adjustments contained in the supplement. Refer to Exhibits in this manual and Actuarial Documents Book on this subject.
 - 6 Refer to Exhibit 6 for examples of the FCI-33

February, 1997

SECTION 12

FCIC 16010

Supplement and FCI-35 Supplement.

13 RECONSIDERATION OF DETERMINATION MADE UNDER NCS**A RECONSIDERATIONS**

- (1) Upon notification of contract adjustments in Section 11, the insured has the right to request a reconsideration of determinations made under NCS.
 - (a) Requests must be in writing and signed by the insured.
 - (b) Requests must be postmarked to the Regional Service Office by the **thirtieth (30)** calendar day from the date notification is received by the insured. This will be determined from the return receipt mail. (See Section 11.)
 - 1 Requests for reconsideration postmarked to the RSO later than 30 days after the return receipt date will be denied. Rights to reconsideration and appeal will be considered to have been waived by that insured with regard to the Nonstandard Classification.
 - 2 Inform the insured by certified mail giving notice of denial and stating the request will be considered for the following crop year.
- (2) All reconsiderations will be assigned to an underwriter not involved in the original NCS adjustment.
- (3) The underwriter will:
 - (a) Review all information supplied by, and respond to all questions raised by the individual requesting reconsideration. If the supplied information merits removal of an insured from NCS, documentation and approval by the RSO director are necessary. Types of information which may be considered include:
 - 1 Additional insurance experience. (See Paragraph 4.)
 - 2 Changes made to land such as levees, irrigation systems, etc. which will minimize

- (b) If, during the reconsideration, it is found NCS adjustments should still be performed but any adjustment is less severe than originally determined:
 - 1 Assign the less severe adjustment.
 - a If actuarial filing has not occurred, make corrections to the listing to be filed.
 - b If actuarial filing has already occurred, use the Written Agreement to make appropriate corrections.
- (c) If, during the reconsideration, it is found NCS adjustments should still be performed but such adjustments are more severe than originally determined:
 - 1 File actuarial documents using the original NCS determination.
 - 2 Make the corrections for the next crop year filing.
- (6) In all cases, if a reconsideration is denied in whole or in part:
 - (a) Inform the insured in writing by certified mail.
 - (b) Inform the insured of appeal rights unless the provisions contained in Paragraph A1(b)(1) apply.

14 NCS YEARLY UPDATES

This Section does not apply to NCS adjustments made for pure land risk only. Such land may be reclassified by the RSO based on all data specific to the land. (Insurance experience, soils, Corps of Engineers, etc.)

A NCS is a yearly process.

- (1) New preliminary listings will be generated each year.
 - (a) New persons will be added to this list as insurance experience becomes available and;
 - (b) NCS Adjustments made for persons in previous listings will be recalculated based on new insurance experience.
- (2) New persons will under go the same system of underwriting review as described in Sections 7 through 13.
- (3) NCS adjustments made for persons in previous crop years will be recalculated using the latest base period of insurance data. This will be done for all persons remaining on NCS regardless of whether they are included on the most current preliminary listing.
 - (a) Documentation becomes critically important when conducting this yearly recalculation of coverage factors and rates. The underwriter must be able to determine what initial adjustments were made for the person.
 - (b) Based on 1 above, the underwriter must:
 - 1 Determine if initial Types of adjustments are still reasonable given the newest insurance data.
 - a If yes, recalculate rates and/or factors using the latest data. If the year added to the base period, is a nonloss year, compare the newly calculated classification

A DEFINITIONS

(1) **For all NCS purposes, the following definitions will be used:**

- (a) **Person**. An individual, partnership, association, corporation, estate, trust, or other legal entity, and wherever applicable, a state or a political subdivision, or agency of a state.
- (b) **Entity(ies)**. A person or persons other than an individual.
- (c) **Actively engaged in farming**. A person **who**, in return for a share of profits and losses, makes a contribution to the production of an insurable crop **in the form** of capital, equipment, land, personal labor, or personal management.
- (d) **Substantial beneficial interest**. An interest of 10 percent or more. In determining whether such an interest equals at least 10 percent, all interests which are owned directly or indirectly through means as ownership of a corporation which owns the interest will be taken into consideration. In order to insure this is not circumvented by an individual or entity, FCIC may determine that an ownership interest requirement of less than 10 percent will be applied.

This determination is made at the time insurance attaches and continues for the year.

(2) **Total Insurance Experience Of A Person** is the sum of:

- (a) Insurance experience of the person;
- (b) Insurance experience of other insured entities in which the person had substantial beneficial interest if the person was actively engaged in farming of the insured crop by virtue of the person's interest in those insured entities; and
- (c) Insurance experience of a spouse and minor children if the person is an individual and the spouse and minor children are considered the same as the individual.

- (3) **NCS classifications assigned to a person for all land apply to:**
 - (a) The person;
 - (b) Any entities in which the person has substantial beneficial interest; and
 - (c) Any other persons that are actively engaged in farming with the person identified for NCS purposes on a shared unit basis.

- (4) **NCS classifications assigned to a person for a specified land apply to:**
 - (a) The person on the specified land;
 - (b) Any entities in which the person has substantial beneficial interest that are actively engaged in farming the specified land; and
 - (c) Any other persons that are actively engaged in farming with the person identified for NCS purposes on the specified land.

- (5) **Spouses and minor children of a person who is an individual are considered to be the same as that person for NCS purposes except that:**
 - (a) The spouse who was actively engaged in farming in a separate farming operation prior to their marriage will be a separate person with respect to that separate farming operation so long as that operation remains separate and distinct from any farming operation conducted by the other spouse.
 - (b) A minor child who is actively engaged in farming in a separate farming operation will be a separate person with respect to that separate farming operation if:
 - 1 The parent or other entity in which the parent has a substantial beneficial interest does not have any interest in the minor's separate farming operation or in any production from such

operation;

- 2 The minor has established and maintains a separate household from the minor's parent; and
- 3 The minor personally carries out the farming activities with respect to the minor's farming operation and for which there is a separate accounting.

(c) **A person shall be considered to be a minor until the age of 18 is reached.** Court proceedings conferring majority on a person under 18 years of age will not change such person's status as a minor.

(6) Other definitions used for NCS purposes:

(a) **Contract.** Insurance experience obtained by FCIC for a person involved in the production of a specified crop.

(b) **Land.** A geographically defined area on which rates and/or coverages are adjusted for NCS purposes. In regions of the country using the Meets And Bounds system of land measurement, land is identified by FSA Farm Serial Numbers or parts thereof. In regions of the country with established rectangular surveys, land is identified by sections or parts thereof.

(c) **Nonactual Yield.** (Used interchangeably with Corporation Assigned Yield as defined in Federal Regulations.) Means all yields assigned by FCIC for the purpose of determining insurance coverage. These include:

- 1 **RSO approved** Yields.
- 2 Transitional Yields (prior to yield calculation methods being applied).
- 3 Assigned Yields. (75% of prior APH approved yield used when production is not reported.)

- (d) **Actual Yield.** The total harvested production of a crop divided by the number of acres on which the crop was planted. For insured acres, actual yield is total production to count as defined in the insurance policy divided by insured acres. For NCS purposes, such yields will not be adjusted unless errors are identified during the review process.
- (e) **NCS Yield.** Nonactual Transitional Yield assigned to land.
- (f) **NCS Yield Factor.** (Also referred to as a T-Adjustment Factor.) The calculated Nonactual Yield reduction factor assigned to persons. When NCS Yield Factors are applied, all Nonactual Yields used by a person are multiplied times the factor for determining adjusted insurance coverage. Calculated NCS Yield Factors may range from .01 to .90. They are applied to 100% of the T yield.
- (g) **NCS Base Period.** 1983 was the first year ever used in the base period for NCS purposes. (i.e. 1983 through 1991). The NCS base period is now 10 consecutive crop years (as defined in the crop policy) ending 1 crop year prior to the crop year in which the NCS classification becomes effective for all crops except Arizona, California and Texas citrus (production) and sugarcane. For these crops, the NCS base period means the 10 consecutive crop years ending 2 crop years prior to the crop year in which the NCS classification becomes effective. For example: An NCS classification effective for the 1996 crop year against a producer of citrus production in Arizona, California, and Texas, and sugarcane would have a NCS base period that includes the 1984 through 1993 crop years. An NCS classification effective for the 1996 crop year against a producer of all other crops would have a NCS base period that includes the 1985 through 1994 crop years.
- (h) **Cumulative Earned Premium Rate.** The total for all years in the base period of total premium earned divided by the total for all years in the base period of liability with the result expressed as a percentage.

- (I) **Cumulative Loss Ratio.** The ratio of summed indemnities to summed total premium during the base period.
- (j) **Earned premium** -means premium earned, subsidized and producer paid, excluding any amount designated for operating and administrative expenses for a crop under a policy insured or reinsured by the Corporation.
- (k) **Indemnified loss** -means a loss applicable for the policy for any year during the NCS base period for which the total indemnity exceeds the total earned premium. If the person has insurance for the crop in more than one county for any crop year, indemnities and premiums will be accumulated for all counties for each crop year to determine an indemnified loss.
- (l) **Insurance experience** -means earned premiums, indemnities paid (but not including replant payments), and other data for the crop (after applicable adjustments) resulting from all of the insured's crop insurance policies insured or reinsured by the Corporation for one or more crop years and will include all information from all counties in which the person was insured.

NOTIFICATION LETTERS
INFORMATIONAL COMPANY LETTER ON NCS CLASSIFICATIONS

United States	Risk	Regional	
Department of	Management	Service	[RSO
Agriculture	Agency	Office	Address]

[COMPANY NAME] [DATE]
 [COMPANY REPRESENTATIVE]
 [ADDRESS]

RE: Assignment of Nonstandard Classification

The original of the enclosed courtesy copy letter will be mailed to the insured named in the letter. The Federal Crop Insurance Corporation recognized your company as the insured's most recent servicing organization. The agent handling this account should be notified of the nonstandard classification.

Adjustments were made to prevented planting liabilities and indemnities. Liabilities were converted to the full liability that would have been applicable, if the crop had been planted for the 1995 and 1996 crop years. Prevented planting payments for the 1995 and succeeding crop years which were paid when a substitute crop was planted were not counted.(P1). Prevented planting payments for the 1995 crop year only, which were paid at the highest guarantee, were reduced by 1/3. Also in 1995, Prevented planting indemnities paid when an approved cover crop is seeded that will not be harvested, grazed, or hayed (P2), were not counted. These adjustments appear on the notification letter.

All nonstandard classifications will be shown on form FCI-35 or FCI-32 Supplement to be filed in the county crop section of the Actuarial Document Book.

If a coverage factor is assigned, all nonactual yields used by the insured are multiplied by the coverage factor, stated in the letter, when determining new approved APH yields. Nonactual yields are defined as transitional, RSO approved, and assigned yields (used when prior years production is not reported). Yield limitation changes (10% caps etc.) do not apply to the

insured's new approved APH yield(s).

If an **NCS** rate is assigned, that rate will apply unless a higher rate is assigned to the acreage or such acreage is designated as unrated by the actuarial table.

As with all actuarial classifications, it is the company's responsibility to implement the nonstandard classification adjustments to the insured's contract.

[BRANCH CHIEF]

Enclosures

NOTIFICATION LETTER TO INSURED

United States	Risk	Regional	
Department of	Management	Service	[RSO
Agriculture	Agency	Office	Address]

[INSURED'S NAME] [DATE]
 [ADDRESS] [RETURN RECEIPT #]

SUBJECT: Notification of Nonstandard Classification

Due to the number and/or severity of losses, insurance premium(s) and/or coverage for your (CROP) will be adjusted beginning with the (YEAR) crop year.

Premium(s) and/or coverage for this crop will be adjusted because 1) losses were paid to you in at least 3 years; 2) losses were paid in 60 percent or more of the years you insured the crop(s), within a ten calendar year period; and 3) your loss severity has equaled or exceeded established standards. Your indemnities may have been adjusted in some years to recognize widespread disasters and hail losses before we made this determination.

These adjustments do not cancel your crop insurance contract. You must notify any other person(s) with an insurable interest in the affected crop of this determination. **This determination may also apply to your spouse and minor children.** Adjustments apply to all insured units of the crop as specified. Your agent has been informed of these adjustments and can assist you in reviewing your previous insurance experience as well as explain your rate and coverage options for the next crop year. Please take the time to review your options with your agent.

If you disagree with our findings, you may request reconsideration by writing to the Regional Service Office (RSO) at the address that appears at the top of this letter. All requests for reconsideration must be 1) in writing; 2) signed by you; and 3) postmarked within **thirty (30)** days from the date you receive this letter. Reconsideration is your opportunity to point out errors or present information that could change our determinations.

ALTHOUGH these adjustments are significant, we believe they are fair when your insurance experience is compared to the overall insurance experience we trust that you will continue to manage your production risk through the multiple peril crop insurance program. We will review your insurance history each year and subsequent changes will be filed with your agent. We will restore normal rates when you no longer meet the criteria for nonstandard classification.

[NAME], BRANCH CHIEF
 cc:[Crop Insurance Company]
 ATTACHMENT

[INSURED'S NAME]
 CONTRACT # 014903

[DATE]

CROP: (CROP) STATE: VIRGINIA
 COUNTY (S) : HALI FAX

TOTAL INSURANCE EXPERIENCE

CROP YEAR	TOTAL LIABILITY	ADJ/1 LIAB	TOTAL PREMIUM	ADJ/2 PREM	INDEM PAID	ADJUSTED/3 INDEM
89	601	601	73 73	0		0
90	1141	1141	154	154	1141	1141
91	1198	1198	174	174	957	957
93	743	743	163	174	743	743
TOTAL	3683	564	564	564	2841	2841

- /1 liability adjusted to account for crop revenue coverage
- /2 premium adjusted to account for crop revenue coverage
- /3 (to account for RSO determined deductions, (i.e. disaster, deductible hail, crop revenue etc..))

ADJUSTMENTS

TYPE	PRACTICE	OPTION	COV BASE	**75% COV ADJ
ALL	ALL		70.0	.75

- ** Please note your premium amount is determined on the subsidized rate that has been adjusted to the coverage level, not base rate displayed above.
- *** (cov adj) coverage adjustment applies to all nonactual yields
 Please ask your agent for details.
- ****N/A means not applicable.

These adjustments will apply to all insured units of the crop, as specified.

NOTIFICATION LETTER REMOVING AN INSURED

United States
Department of
Agriculture

Risk
Management
Agency

Regional
Service
Office

[RSO
Address]

[INSURED'S NAME]
[ADDRESS]

[DATE]
[RETURN RECEIPT #]

RE: Changes Affecting Your Insurance Contract for [CROP] in [COUNTY], [STATE]

Dear [INSURED'S NAME]:

In accordance with Federal Regulations, **Federal Crop Insurance Corporation (FCIC)** has reviewed your insurance experience and the application of Nonstandard Classifications assigned to you for this crop. Based on this review, **you have been removed from the Nonstandard Classification System and** a standard insurance offer is available to you, for the [YEAR] crop year.

Yields used for insurance purposes will be calculated by standard Actual Production History procedures. Rates will be assigned by the appropriate actuarial documents filed with your insurance agent. **These yields and rates will apply unless the acreage or anyone in the farming operation as defined by FCIC, is classified under the Nonstandard Classification System. In such case, if the NCS classification assigns a higher rate or lower coverage than the rate or coverage otherwise applicable to the acreage, the higher rate or lower coverage under NCS will apply.**

We are pleased this favorable determination could be made.

[DIRECTOR]

cc:[Crop Insurance Company]

RECONSIDERATION LETTER RESPONSE TO AGENT

United States	Risk	Regional	
Department of	Management	Service	[RSO
Agriculture	Agency	Office	Address]

[AGENT'S NAME]
[ADDRESS]

[DATE]

RE: Nonstandard Classification System (NCS) Reconsideration Made by the Agent
for [INSURED'S NAME], in [COUNTY], [STATE].

Dear: [AGENT'S NAME]

We are unable to consider the request you have submitted on behalf of your insured.
Reconsiderations of NCS Classifications must be signed by the person addressed in the notification letter. Please refer to the second to the last paragraph of each insured's notification letter for making request for reconsideration.

We are returning your letter. Please advise the above identified insured that the request for reconsideration must be submitted in writing, by them, before the 30 days **specified in the notification letter** are past.

**[NAME]
DIRECTOR**

RECONSIDERATION LETTER DENIAL OF REQUEST

United States	Risk	Regional	
Department of	Management	Service	[RSO
Agriculture	Agency	Office	Address]

[INSURED'S NAME] [DATE]
 [ADDRESS] [RETURN RECEIPT #]

RE: Reconsideration of Classification Changes Affecting Your Insurance Contract for [CROP] in [COUNTY], [STATE].

Dear [INSURED'S NAME]:

After reviewing your insurance experience and the additional information provided in your request, the earlier decision remains unchanged.

Your insurance experience meets the selection criteria as specified in the crop insurance regulations. [REASONS: ANSWER SPECIFIC QUESTIONS, ETC]

The classification changes assigned in your notification letter will apply for the [YEAR] crop year. Your insurance experience will be reviewed annually and the appropriate adjustments made.

We regret that a more favorable decision could not be made.

General program requirements that apply to all participants, procedural decisions relating to administration of the programs and science-based formulas and criteria are not appealable. You have additional rights to appeal this decision of appealability. Such an appeal must be in writing, signed by you, and postmarked within thirty (30) days of the date you received this letter to:

National Appeals Division
 [Location] Area Office
 Suite [number]
 [Address]
 [City, State Zip Code]

[NAME] **DIRECTOR**

[ATTACHMENTS as necessary]
 cc:[Crop Insurance Company]

NATIONAL APPEALS DIVISION
WESTERN AREA OFFICE
730 SIMMS SUITE 386
GOLDEN, CO. 80401

NATIONAL APPEALS DIVISION
EASTERN AREA OFFICE
3500 DEPAUW BLVD. SUITE 2052
INDIANAPOLIS, IN 46268



NATIONAL APPEALS DIVISION
SOUTHERN AREA OFFICE
7777 WALNUT GROVE RD. SUITE OM-36
MEMPHIS, TN 38120

RECONSIDERATION LETTER
POSTMARKED 30 DAYS AFTER NOTICE

United States	Risk	Regional	
Department of	Management	Service	[RSO
Agriculture	Agency	Office	Address]

[INSURED'S NAME]	[DATE]
[ADDRESS]	[RETURN RECEIPT #]

RE: Reconsideration of Classification Changes Affecting Your Insurance Contract
for [CROP] in [COUNTY], [STATE].

Dear [INSURED'S NAME]:

Your request for reconsideration was postmarked to this office on [DATE]. **The Federal Crop Insurance Corporation (FCIC)** is unable to consider it for the [YEAR] crop year since your reconsideration letter was not postmarked within the 30 day period as stated in your notification letter.

The classification changes assigned in the prior notification letter will apply for the [YEAR] crop year.

Your request for reconsideration will be considered when your contract experience is reviewed next year for the [YEAR] crop year. The appropriate adjustments will be made.

[NAME]
DIRECTOR

[ATTACHMENTS as necessary]
cc:[Crop Insurance Company]

RECONSIDERATION LETTER REMOVING AN ENTITY

United States	Risk	Regional	
Department of	Management	Service	[RSO
Agriculture	Agency	Office	Address]

[INSURED'S NAME]	[DATE]
[ADDRESS]	[RETURN RECEIPT #]

RE: Reconsideration of Classification Changes Affecting Your Insurance Contract for [CROP] in [COUNTY], [STATE].

Dear [INSURED'S NAME]:

Your request for reconsideration has been reviewed. Justification was found to change the earlier decision based on additional information provided.

[BASIS USED TO NEGATE THE NCS CLASSIFICATION]

Your approved yield will be established according to APH procedures. The insurance rate will be assigned by the existing actuarial structure in the county for the [YEAR] crop year.

We are pleased a favorable determination could be made.

[NAME]
DIRECTOR

cc:[Crop Insurance Company]

RECONSIDERATION LETTER
 MODIFYING CATEGORY "B" CROP CLASSIFICATIONS

United States Risk Regional
 Department of Management Service [RSO
 Agriculture Agency Office Address]

[INSURED'S NAME] [DATE]
 [ADDRESS] [RETURN RECEIPT #]

RE: Reconsideration of Classification Changes Affecting Your Insurance Contract for
 [CROP] in [COUNTY], [STATE].

Dear [INSURED'S NAME];

Your request for reconsideration has been reviewed. The additional information provided allows this office to modify the earlier decision.

Your nonactual yields on which insurance coverage is determined [remain unchanged at] [is revised to] [XX] percent of their former value. Your rate [remains unchanged] [has been revised as follows:]

ADJUSTMENTS

		**75%	
		COVERAGE	*COVERAGE
TYPE	PRACTICE	BASE RATE	ADJUSTMENT
ALL	ALL	70.0	.75

* (coverage adjustment applies to all nonactual yields)
 ** Please note your premium amount is determined on the subsidized rate that has been adjusted to the coverage level and/or the option selected, not base rate displayed above. Please ask your agent for details.

These adjustments will apply to all insured units of the crop.
 ***N/A means an NCS rate is not applicable.
 ****N/A means an NCS factor not applicable.

[REASONS FOR CLASSIFICATION CHANGE(S)]

These classification changes will apply to [ALL UNITS, SPECIFIC PRACTICES, SPECIFIC TYPES, LAND] for the [YEAR] crop year. Limitations to coverage reduction from year to year as provided by standard crop insurance procedures will not apply.

If a higher rate or lower coverage is assigned to this [PRACTICE, TYPE, Option, OR LAND] elsewhere in the Actuarial Table then the higher rate and/or lower coverage shall apply. For any share arrangements involving one or more persons, the lowest coverage factor and the highest rate applicable for any one of the persons involved shall apply to all persons.

Your contract experience will be reviewed annually and the appropriate adjustments made.

This decision was based on general program requirements that apply to all participants and procedural decisions relating to administration of the program. Therefore it is not appealable. You have additional rights to appeal this decision of appealability. Such an appeal must be in writing, signed by you, and postmarked within thirty (30) days of the date you received this letter to:

National Appeals Division
[Location] Area Office
Suite [number]
[Address]
[City, State Zip Code]

[NAME]
DIRECTOR

[ATTACHMENTS as necessary]
cc:[Crop Insurance Company]

that are farming with you on a shared unit basis.

If a higher rate or lower coverage is assigned to this acreage elsewhere in the Actuarial Table then the higher rate and/or lower coverage shall apply. For any share arrangements involving one or more persons, the lowest coverage classification and the highest rate applicable for any one of the persons shall apply to all persons.

This decision was based on general program requirements that apply to all participants and procedural decisions relating to administration of the program. Therefore it is not appealable. You have additional rights to appeal this decision of appealability. Such an appeal must be in writing, signed by you, and postmarked within thirty (30) days of the date you received this letter to:

National Appeals Division
[Location] Area Office
Suite [number]
[Address]
[City, State Zip Code]

[DIRECTOR]

cc:[Crop Insurance Company]

RECONSIDERATION LETTER
MODIFYING AREA CLASSIFICATION

United States	Risk	Regional	
Department of	Management	Service	[RSO
Agriculture	Agency	Office	Address]

[INSURED'S NAME]	[DATE]
[ADDRESS]	[RETURN RECEIPT #]

RE: Reconsideration Of Assigned Area Classification(s) Affecting Your Insurance Contract for [CROP] in [COUNTY], [STATE]

Dear [INSURED'S NAME]:

Your request for reconsideration has been reviewed. The additional information provided allows this office to modify the earlier area classification(s) assigned to your contract.

This/these revision(s) for the [YEAR] crop year establishes your [CROP] classification(s) of area(s) [NUMBER].

[REASONS FOR CLASSIFICATION CHANGE(S)]

These classification change(s) will apply to [ALL UNITS, SPECIFIC PRACTICES, SPECIFIC TYPES, OPTIONS, LAND] of your [CROP] crop for the [YEAR] crop year. This/these coverage classification(s) is/are based on your actual yield history as reported to FSA. Your coverage and rates will continue to be filed in the actuarial documents for the county.

These changes apply only to you and any other entities in which you have a substantial beneficial interest **and are actively engaged in farming** as defined by Federal Regulations. Your rate(s) and coverage classification(s) will also apply to any other persons that are farming with you on a shared unit basis. You are responsible for notifying any other person(s) with an insurable interest affected by these classification changes.

If a higher rate or lower coverage is assigned to this acreage elsewhere in the Actuarial Table then the higher rate and/or lower coverage shall apply. For any share arrangements involving one or more persons, the lowest coverage classification and the highest rate applicable for any one of the persons shall apply to all persons.

This decision was based on general program requirements that apply to all participants and procedural decisions relating to administration of the program. Therefore it is not appealable. You have additional rights to appeal this decision of appealability. Such an appeal must be in writing, signed by you, and postmarked within thirty (30) days of the date you received this letter to:

National Appeals Division
[Location] Area Office
Suite [number]
[Address]
[City, State Zip Code]

[DIRECTOR]

cc:[Crop Insurance Company]

FCI-2 **WRITTEN** AGREEMENTS REMOVING ENTITIES

1. To remove insureds from the FCI-35/32 Supplement, you will use the **written** Agreement.
2. The RSO's should follow existing **procedure in the FCIC 24020, written agreement handbook or current** underwriting guides in processing the **written** Agreements in terms of the format of the agreement. One of the following statements must be used with this type of **written** agreement:

Under the above insurance contract and respective insured crops, the undersigned parties expressly agree that the following is an amendment to the Form FCI-35/32 Supplement (Person). The contract covering the stated crops is revised as follows:

- a Yield factors and/or rate classifications for [INSURED] on the [CROP] FCI-35 Supplement (person) are rescinded for the [CROP] crop year.
- b Area and/or rate classifications for [INSURED] on the [CROP] FCI-32 supplement (person) are rescinded for the [CROP] crop year.

In all cases, this type of agreement will be sent to the insured by certified mail. A courtesy copy will be sent to the insured's last known company.

RESCINDING NCS CLASSIFICATIONS THROUGH APPEALS

United States Department of Agriculture	Federal Crop Insurance Corporation	Regional Service Office	[RSO Address]
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[INSURED'S NAME]	[DATE]
[ADDRESS]	[RETURN RECEIPT #]

RE: Rate Changes Affecting Your Insurance Contract for
[CROP] in [COUNTY], [STATE]

Dear [INSURED'S NAME]:

Based on the findings of National Appeals Division, your standard APH insurance offer is reinstated for the [CROP] for the [CROP YEAR].

Enclosed is an **Written** Agreement reinstating your standard **rates and coverages where applicable. Contact your insurance agent for details.**

We are pleased this favorable determination could be made.

[DIRECTOR]

cc:[Crop Insurance Company]

11/15/96

COUNTY ACTUARIAL TABLE

(5)PAGE 2

FCI-33 SUPPLEMENT (LEGAL)
(6)1997 AND SUCCEEDING CROP YEARS

(1)ST: WISCONSIN (55) (2)CO: LAFAYETTE (065)
CROP(S): OATS CORN SBEAN

LEGAL DESCR /	CROP (3)	PRACTICES(7)	TYPE(10)	RATE (13)	YIELD(12)

T01N R04W (8) SEC: 019 (9)	LEGAL: EAST 1/2 OF EAST 1/2 ONLY (11)				
	SOYBEANS	043		[RATE]	10
		053		[RATE]	10
		094		[RATE]	10
		095		[RATE]	10

T01N R06W (8) SEC: 020 (9)	LEGAL: NORTHEAST 1/4 OF NORTHEAST 1/4 OF SOUTHWEST 1/4 ONLY (11)				
	SOYBEANS	ALL	997	[RATE]	15
	CORN	ALL	ALL	[RATE]	15

- 1 Enter State.
- 2 Enter County.
- 3 Enter Crop.
- 4 Enter Date Prepared.
- 5 Enter Page Number.
- 6 Effective crop year.
- 7 Enter all practices in effect for the crop within the county.
- 8 Enter Township and Range.
- 9 Enter Section.
- 10 Type.
- 11 Legal Description Qualification Remarks.
- 12 Enter NCS Yield factor.
- 13 Enter Rate or APH to assign R-Span rating.

11/15/96

COUNTY ACTUARIAL TABLE

(5)PAGE 2

FCI-33 SUPPLEMENT (LEGAL)
(6)1997 AND SUCCEEDING CROP YEARS

(1)ST: WISCONSIN (55)
CROP(S): OATS CORN SBEAN

(2)CO: LAFAYETTE (065)

FSA FARM NUM/	CROP (3)	PRACTICES(7)	TYPE(10)	RATE CLASS (13)	YIELD(12)
FARM 1019 (8) ALL TRACTS (9)					
	SOYBEANS	043		[RATE]	10
		053		[RATE]	10
		094		[RATE]	10
		095		[RATE]	10

FARM 1213 (8) TRACTS 1, 2, 5, AND 7 ONLY (9)					
	SOYBEANS	ALL	997	[RATE]	15
	CORN	ALL	ALL	[RATE]	15

- 1 Enter State.
- 2 Enter County.
- 3 Enter Crop.
- 4 Enter Date Prepared.
- 5 Enter Page Number.
- 6 Enter applicable year of FSA Farm Serial Numbers.
- 7 Enter all practices in effect for the crop within the county.
- 8 Enter FSA Farm Serial Number.
- 9 FSN Qualification Remarks.
- 10 TYPE.
- 11 Enter NCS Yield Factor.
- 12 Enter Rate or APH to assign R-span rating.

(4)11/19/96

COUNTY ACTUARIAL TABLE
FORM FCI-35 SUPPLEMENT (PERSON)
(3): CROP YEAR AND SUCCEEDING CROP YEARS

(5)page 2

(1): (2)
ST: CO: CROP:

PERSON / LEGAL DESCRIPTION

(6)	(7):	TYPE	:	011	:	012	:	:	:	:	:
	(8):	PRACTICE:	:	997	:	997	:	:	:	:	:
ANDERSON, ROBERT A	(9):	YLD FAC :	:	.80	:	:	:	:	:	:	:
1N 4W (11)	(10):	RATE :	:	:	:	:	:	:	:	:	:
SEC: 19											
E 1/2 OF E 1/2 ONLY											

BENTON, STEVE G.	ALL	:	YLD FAC :	:	.75	:	:	:	:	:	:
	INSURED UNITS	:	RATE :	:	[rate]	:	:	:	:	:	:

CALHOUN, JOE E.	:	YLD FAC :	:	:	:	:	:	:	:	:	:
	FSN 1239	:	RATE :	:	[rate]	:	:	:	:	:	:

- | | |
|--|---------------------------------------|
| 1 Enter State. | 9 Enter Classification Area |
| 2 Enter County. | Number assigned. |
| 3 Enter Crop Year. | 10. Enter NCS rate determination. |
| 4 Enter Date Prepared. | 11. Enter township range and |
| 5 Page Number of Total Pages | section or farm serial numbers |
| 6 Enter Producer Name | |
| 7 Enter Type(s) as shown on the FCI-35 for the crop. | |
| 8 Enter practice(s) as shown on the FCI-35 for the crop. | |

(4)11/19/94

COUNTY ACTUARIAL TABLE
FORM FCI-32 SUPPLEMENT (PERSON)
(3): CROP YEAR AND SUCCEEDING CROP YEARS

(5)page 2

(1): (2)
ST: CO: CROP:

PERSON / FARM SERIAL NUMBER

(6)	(7):	TYPE	:	11A	:	021	:	:	:	:	:	:	:	:
	(8):	___PRACTICE:	:	997	:	997	:	:	:	:	:	:	:	:
ANDERSON, ROBERT A														
ALL	(9):	CLASS	:	04	:	:	:	:	:	:	:	:	:	:
	(10):	RATE	:	23.9	:	:	:	:	:	:	:	:	:	:

BENTON, STEVE G.														
1055	:	CLASS	:	03	:	:	:	:	:	:	:	:	:	:
	:	RATE	:	34.5	:	:	:	:	:	:	:	:	:	:

CALHOUN, JOE E.														
ALL	:	CLASS	:	02	:	:	:	:	:	:	:	:	:	:
	:	RATE	:	45.6	:	:	:	:	:	:	:	:	:	--

- | | | | |
|---|---|----|-------------------------------|
| 1 | Enter State. | 9 | Enter Classification Area |
| 2 | Enter County. | | Number assigned. |
| 3 | Enter Crop Year. | 10 | Enter NCS rate determination. |
| 4 | Enter Date Prepared. | | |
| 5 | Page Number of Total Pages | | |
| 6 | Enter Producer Name | | |
| 7 | Enter Type(s) as shown on
the FCI-35 for the crop. | | |
| 8 | Enter practice(s) as shown on
the FCI-35 for the crop. | | |

___ NO LETTER/UPDATE SUPP ___ ADD ON/NOTIFICATION LETTER ___ DROP

CROP:_____ EFF. CROP YEAR: ___ PROD. STAT. _____

STATE:_____ NAME: _____

COUNTY:_____ ADDRESS: _____

Z VALUE: _____ COMP. CODE: _____ ADDRESS: _____

POLICY #: _____ REVIEWING UW & DATE: _____

LEGAL DESCRIPTION: TOWNSHIP: _____ RANGE: _____ SECTION: _____

DESCRIPTION 1: _____ DESCRIPTION 2: _____

- 1. PRAC/TYPE (ALL) _____ YIELD 1 _____ RATE 1 _____
- 2. IRRIGATED (002) _____ YIELD 2 _____ RATE 2 _____
- 3. NON-IRR (003) _____ YIELD 3 _____ RATE 3 _____
- 4. CONT. CROP (004) _____ YIELD 4 _____ RATE 4 _____
- 5. SUM-FALLOW (005) _____ YIELD 5 _____ RATE 5 _____
- 6. NIBR/N-IRR (086) _____ YIELD 6 _____ RATE 6 _____
- 7. FAC/IBR-NI (088) _____ YIELD 7 _____ RATE 7 _____
- 8. FAC/NIBR-NI (089) _____ YIELD 8 _____ RATE 8 _____
- 9. NFAC/IBR-NI (090) _____ YIELD 9 _____ RATE 9 _____
- 10. _____ (____) _____ YIELD 10 _____ RATE 10 _____
- 11. _____ (____) _____ YIELD 11 _____ RATE 11 _____

CROP	LIAB.	PREMIUM	ADJ. INDEM.	INDEM.	NOT LISTED
_____	_____	_____	_____	_____	_____ Prevented planting
_____	_____	_____	_____	_____	_____ HAIL
_____	_____	_____	_____	_____	_____ Name comb.error on prelim. list
_____	_____	_____	_____	_____	_____ More years found on exper
_____	_____	_____	_____	_____	_____ NO LONGER FARMS
_____	_____	_____	_____	_____	_____ DECEASED
_____	_____	_____	_____	_____	_____ RSO dir. decision
_____	_____	_____	_____	_____	_____ Other
_____	_____	_____	_____	_____	_____ loss exper added
_____	_____	_____	_____	_____	_____ recheck yearly

=====

Name: _____ Crop: _____

State/County: _____ Effective Crop Year: _____

1. Initial Person Review

(a) Identify any problems with preliminary listing for person: _____

(b) Identify other entities in which the person has interest (list): _____

(c) Remarks: _____

2. Identify Type Of Contract Problem.

(a) Indicate types of information used during this review.

- EXPER Other: (Specify) _____
- Yield History _____
- Current Act. Doc. _____
- Soils _____
- FSA _____
- Corps of Engineers _____
- NASS _____

Additional Remarks: _____

(b) Type of problem(s) identified:

Contract-Wide:

- Random and sustained losses.
- Repetitious losses 1 or more units. (Land hazard does not appear involved.)
- Possible noncompliance. (Further documentation required.)
- High percentage of new units observed.

Contract-Specific:

- Cropping practices/Type/Options.
- Pure land risk. (Physical hazards identified.)
- Person-all losses on one unit. (Physical hazard not identified)

Further Explanation: _____

=====

3. Implemented Solutions To Identified Problem(s):

(a) Options:

Coverage Only

Rate Only

Coverage and Rate

Problem Solved Through Exist. Or Planned Actuarial Documents.

(b) Options applied to:

Person

Land

Person-Practice/Type/Option

Practice-Land

Person-Practice/Type/Option-Land

Other: _____

(c) Basis for determinations: _____

=====

4. Classification Changes Assigned:

Rate: _____ Coverage Factor: _____

Other: _____

=====

5. Additional Information: _____

=====

Approving Underwriter: _____ Date: _____

CROP YEAR: 1994 **CROP CODE:** 011 **DATE/TIME:** 02/15/93 17:36:44
(LN)

STATE: 16 **INSURED:** DOE, JOHN
COUNTY: ALL [077]
TYPE: ALL **PRAC:** IRR [002]
 PRAC LIAB: [31370]

| 9999988888

CONTRACT INFO----CNTY|EXPER NAME-----| 4321098765

RH 718 062137 1 077 |JOHN *DOE | ----XX----

L COVERAGE			HAIL		OFF		ADJ H R		BLND		ADJ				
YEAR	N #0	#E	1	2	3	LIAB	PREM	IND	RED	ADJ	CDE	F F	DAP	IND	PROD
85	N	-----				0	0	0	0					0	0
86	N	-----				0	0	0	0					0	0
87	N	-----				0	0	0	0					0	0
88	2	-----	2			16799	1378	13439	10		H	1.00	13439	3360	
89	2	-----	2			14571	1195	14085	0			1.00	14085	486	
90		-----				0	0	0	0					0	0
91		-----				0	0	0	0					0	0
92		-----				0	0	0	0					0	0
93		-----				0	0	0	0					0	0
94		-----				0	0	0	0					0	0

WACL = 75 31370 2573 27524 27524

LR 10.70
LR (adjusted) 10.70
LC 0.877
EPR 0.082
Adjusted LC 0.795
Frequency 1.000

Initial Criteria
Z= 6.88
F= 1.000

* SELECTION CRITERIA *
* Z= 6.88 *
* F = 1.000 *

YEAR	LIAB	PREM	IND	PROD	NCS Yield Factor > 0.20
85	0	0	0	0	*****
86	0	0	0	0	
87	0	0	0	0	
88	3437	2048	77	3360	
89	2982	1777	2496	486	
90	0	0	0	0	
91	0	0	0	0	
92	0	0	0	0	
93	0	0	0	0	
94	0	0	0	0	

	6419	3825	2573		

Recommended rate with coverage adjustment > 38%

Recommended rate w/o coverage adjustment > 100%

QUALIFYING
SELECTION LISTING

1. State "Z" Criteria Score Value.
2. Selected Person/Name.
3. Number of observations for the tot-name
4. Data Base Name
5. Telephone Number.
6. Zip code.
7. Number of Years Insured.
8. Adjusted number of loss years.
9. Number of Loss Years.
10. Adjusted loss frequency.
11. Loss Frequency. (9. / 7.)
12. Adjusted Frequency.
13. Frequency.
14. Adjusted accumulated loss cost (includes replant but deducts for DAP, prevented planting, CRC and Hail) for the Person/Name for all years.
15. Accumulated Loss Cost for the Person/Name for all years.
16. Accumulated County Loss Cost Ratio for the selected crop years.
17. Qualifying Adjusted loss ratio, calculated without replant hail CRC prevented planting and DAP.
18. Adjusted accumulated loss ratio for the Person/Name for all years.
19. Accumulated County Loss Ratio for the selected crop years.
20. Accumulated Earned Premium Rate for the Person/Name for all years.
21. Adjusted "Z" Score (deducts for replant, hail, prevented planting, CRC, and DAP) value for the Person/Name.
22. "Z" Score Value for the Person/Name.

23. Report Organization and Policy Number.
24. County number for Agency Sales and Service Contracts and Company Number for Reinsured Contracts.
25. Crop code
26. Hail Flag indicates if hail is a cause of loss during one of the selected years.
27. **Prevented planting flag**
28. Replant flag indicates if a replant has been paid during one of the selected years.
29. State.
30. County.
31. Crop Year.
32. Crop Liability in dollars by year for the Person/Name.
33. Total Premium.
34. Total Indemnity Paid in dollars for the Person/Name.
35. Disaster Adjustment Factor.
36. Adjusted Indemnity (includes replant but deducts for **deductible** hail, **prevented planting, CRC**, and DAP).
37. Hail deduction amount.
38. Replant amount.
39. **Adjlia - liability adjusted for prevented planting**
40. TACRES Insured. (Gross acres times X share = Net acres.)
41. County Liability in dollars by year for the crop.
42. County Total Premium in dollars by year for the crop.
43. County Indemnity Paid in dollars by year for the crop.
44. Person/Name Loss Cost Ratio by year for the crop.
45. County Loss Cost Ratio by year for the crop.

46. Person/Name Loss Ratio by year for the crop.
47. County Loss Ratio by year for the crop.
48. Person/Name Earned Premium Rate by year for the crop.
49. County Earned Premium Rate by year for the crop.
50. RATE_ADJ - Rate without coverage adjustment. This rate adjusted to 75% coverage level.
51. NYF - NCS Yield Factor. (Refer to Exhibit 10, #17)
52. RATE_NYF - Rate With Coverage Factor. (Refer to Exhibit 10, #27)
53. Coverage Level Percent for the contract by year.
54. Weighted Average Coverage level percent.
55. SSN- **THE SSN OR EIN** associated with the NCSname.
56. **STYP identifies type of SSN/EIN type.**
57. **ETYP identifies type of entity type.**
58. **STYP/SSN ETYP GRPASSN -SSN/EIN type, SSN/EIN, entity type, and group association assigned by the regional service office.**

*Note: All adjusted figures are calculations based on the hail, **prevented planting CRC**, and disaster adjustment procedure (DAP) applied to the Person/Name.

85 - 94 MONTANA WHEAT FARMERS W/ 14:57 FRIDAY, DECEMBER 2, 1994
 3 LOSSES, .6 LOSS FREQ AND 4.0 Z CRITERIA (1)

-----TOTNAME=BOONE TOM ---(2)-----

(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
OBS	NAME	PHONE	ZIP	NFREQ	ADJ_LFRQ	LFREQ	ADJ_FREQ	FREQ	ADJ_FQ	FQ
1	*BOONE TOM D	912-833-5170	810520000	3	3	3	1	1	1	1
2	*BOONE TOM D	912-833-5170	810520000	3	3	3	1	1	1	1
3	*BOONE TOM	912-833-5170	810520000	<u>3</u>	3	3	1	1	1	1

(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)	(25)	(26)
OBS	ADJ_LC	ACM_LC	A_CO_LC	QADJ_LR	ACM_LR	A_CO_LR	ACM_EP	ADJ_Z	Z	CONTRACT	CO_NO	CROP_H_FLAG
1	.70	.70	.02	5.89	5.89	.33	.12	6.01	6.01	HF 08 045 012621	045	011
2	.70	.70	.02	5.89	5.89	.33	.12	6.01	6.01	HF 08 045 012621	045	011
3	.70	.70	.02	5.89	5.89	.33	.12	6.01	6.01	HF 08 045 012621	045	011

(27)	(28)	(29)	(30)	(31)	(32)	(33)	(34)	(35)	(36)	(37)	(38)	(39)	(40)	(41)	
OBS	P_FLAG	RPLT	STATE	COUNTY	YEAR	LIAB	PREM	IND	FACTOR	ADJ_IND	YHAILED	YCRIND	ADJLIA	TACRES	CO_LIAB
1			30	041	89	109960	12202	81884	1	81884	0		109960	4639.65	24828979
2			30	041	90	37603	4255	45426	1	45426	0		37603	1647.22	25938690
3			30	041	91	8532	2128	2198	1	2128	0		8532	880.52	20053732

(42)	(43)	(44)	(45)	(46)	(47)	(48)	(49)	(50)	(51)	(52)	(53)	(54)	(55)	(56)	(57)	(58)	
CO_PRE	CO_IND	LC	CO_LC	LR	CO_LR	EP	CO_EP	RATE_ADJ	NYF	RATE_NYF	COVPCT	WACL	SSN	STYP	ETYP	ETYP	
1	1805096	1286137	.74	.05	6.71	.71	.11	.07	63.8	.41	29.8	75	75	502285174	1	S	1502285174S
2	1826388	310840	.68	.01	5.98	.17	.11	.07	63.8	.41	29.8	75	75	502285174	1	S	1502285174S
3	1573738	143749	.26	.01	1.03	.09	.25	.08	63.8	.41	29.8	75	75	502285174	1	S	1502285174S

NONQUALIFYING
SELECTION LISTING

1. State "Z" Criteria Score Value.
2. NonSelected Person/Name.
3. Number of observations for the tot-name
4. Entity name as shown on Data Base
5. Street Address.
6. City
7. Zip code.
8. Telephone number
9. Adjusted "Z" Score (deducts for replant, hail, prevented planting, CRC, and DAP) value for the Person/Name.
10. Report Organization and Policy Number.
11. County number for Agency Sales and Service Contracts and Company Number for Reinsured Contracts.
12. Crop code
13. Hail Flag indicates if hail is a cause of loss during one of the selected years.
14. Prevented Planting Flag.
15. Replant flag indicates if a replant has been paid during one of the selected years.
16. State.
17. County.
18. Crop Year.
19. Crop Liability in dollars by year for the Person/Name.
20. Total Premium.
21. Total Indemnity Paid in dollars for the Person/Name.
22. Adjlia (liability after adjustments for prevented planting.)

23. Disaster Adjustment Factor.

24. Adjusted Indemnity (includes replant but deducts for deductible hail, prevented planting, CRC, and DAP).

25. styp/ssn/etyp/grp assn- SSN/EIN type, SSN/EIN, and entity type, group association (state and county) associated with the NCSname.

*Note: All adjusted figures are calculations based on the hail, prevented planting, crc, and disaster adjustment procedure (DAP) applied to the Person/Name.

87-96 NONQUALIFYING
 ALABAMA FARMERS
 PREVIOUSLY ON SUPPLEMENT /NEW Z CRITERIA >= 4.00 (1)

06:29 Monday, December 16, 1996 20

----- TSTNAME=DEE RIVER RANCH INC ---(2)-----

(3) OBS	(4) NAME	(5) STREET	(6) CITY	(7) ST	(8) PHONE	(9) ZIP	(10) ADJ_Z	(11) CONTRACT	(12) CO_NO	(13) CROP
1	*DEE RIVER RANCH,INC	P.O. BOX F	ALICEVILLE	AL	205-373-8248	354420000	4.22	CH 01 932 003019	932	011
2	*DEE RIVER RANCH,INC	P.O. BOX F	ALICEVILLE	AL	205-373-8248	354420000	4.22	CH 01 932 003019	932	011
3	*DEE RIVER RANCH,INC	P.O. BOX F	ALICEVILLE	AL	205-373-8248	354420000	4.22	CH 01 932 003019	932	011
4	#DEE RIVER RANCH	P.O. BOX F	ALICEVILLE	AL		354420000	4.22	CI 01 054 030455	054	011
5	#DEE RIVER RANCH	P.O. BOX F	ALICEVILLE	AL		354420000	4.22	CI 01 284 030455	284	011
6	#DEE RIVER RANCH, INC.					000000000	4.22	05 01 107 000002	107	011
7	DEE RIVER RANCH, INC.						4.22	05 01 107 000002	107	011

(13) OBS	(14) H_FLAG	(15) P_FLAG	(16) REPLANT	(17) STATE	(18) COUNTY	(19) YEAR	(20) LIAB	(21) PREM	(22) IND	(23) ADJLIA	(24) FACTOR	(25) ADJ_IND	STYP/SSN ETYP GRPASN
1				01	107	90	22922	2021	14314	22922	1	14314	2370863103C011
2				01	107	91	15852	1728	14651	15852	1	14651	2370863103C011
3				01	107	92	10383	1196	0	10383	1	0	2370863103C011
4				01	107	93	26880	3520	13706	26880	1	13706	2370863103C011
5				01	107	94	29575	2928	6649	29575	1	6649	2370863103C011
6				01	107	95	10257	5539	0	10257	1	0	2370863103C011
7				01	107	96	16510	4562	0	16510	1	0	2370863103C011

TSTNAME

 132379 21494 49320 49320

**Z CRITERIA SCORE

Z CRITERIA SCORE	CROP
3.50	ALMONDS - CA ONLY
*	APPLES - Alabama, Florida, Georgia, and South Carolina Z= 5.0 everywhere else 3.5
*	BARLEY - everywhere Z=4.0 except Minnesota counties 005, 027, 029, 119, 069, 087, 089, 107, 113, 125, 135, and 120 Z=4.5
4.00	BEANS C&P
3.50	BEANS DRY - Topeka 4.0 Z. Billings - Montana, ND, Wyoming use only certain types
	CITRUS
	AZ-CA
3.50	FLORIDA
3.50	TEXAS
4.0	CORN - Certain counties in Billings region processes only on an irrigated practice. Only one run is done. the NI practice no longer exists in these particular states and counties.
*	COTTON - OK Z=5.0 everywhere else 4.0
4.00	CRANBERRIES
3.50	FIGS -
4.00	FLAX
3.50	FORAGE PRODUCTION exception Billings region and Iowa Minnesota Wisconsin Z=4.0
*	GRAIN SORGHUM - Oklahoma , Billings and Topeka RSOs Z=4.0 , everywhere else 3.5;
3.50	GRAPES
3.50	TABLE GRAPES
4.00	HYBRID SEED CORN - MAY USE CORN DAPS.
4.00	HYBRID SORGHUM SEED - May use grain sorghum DAPS
3.50	NURSERY STOCK
4.00	OATS - Separate spring and winter except billings region.
4.00	ONIONS
*	PEANUTS Ok RSO Z=4.0, everywhere else 3.25.
4.00	PEAS GREEN
3.50	PEAS DRY
*	PEACHES - Alabama, Florida Georgia and South Carolina Z=5.0 every where else 3.5
3.50	PEARS
3.50	POTATOES
3.50	PEPPERS
3.50	PLUMS
4.00	POPCORN
3.50	PRUNES
3.00	RICE
3.50	RYE exception Billings region Z=4.00
3.50	SAFFLOWERS exception Billings region Z=4.00
4.00	C & F SWEET CORN
3.50	FM SWEET CORN
*	SOYBEANS - Z=4.0 everywhere except Ok region, Alabama, Arkansas, Florida, Georgia, Louisiana, Mississippi, South Carolina North Carolina Z=5.00.

**Subject to change as designated in the procedure in this handbook.

**Z CRITERIA SCORE

Z CRITERIA
SCORE

CROP

3.50	SUGAR BEETS
4.00	SUNFLOWERS
4.00	SUGARCANE
3.50	STONEFRUIT
*	TOBACCO - Types Are Run Separately. Flue Cured tobacco 2.00 all other 3.25.
3.50	C & P TOMATOES
3.50	FM TOMATOES - Certain Florida Counties
3.50	WALNUTS - CA ONLY
*	WHEAT - Spring and Winter coded Separately Except Billings RSO Run Spring and Winter Together for All States Except North Dakota. everywhere Z=4.0 except Minnesota counties 005, 027, 029, 119, 069, 087, 089, 107, 113, 125, 135, and 120 Z=4.5 State 16 county 001, 003,009, 017, 021, 027, 035, 039, 045, 047, 049, 053, 055, 057, 061, 063, 067, 069, 073, 075, 083, 087, Z=2.75 State 41, county 001, 021, 027, 045, 049, 055, 059, 061, 063, 065, Z=2.75 State 53 county 003, 013, 019, 023, 043, 051, 063, 065, 071, 075, Z=2.75 all other states and counties in Spokane Z=3.5 except State 16 counties 005, 007, 029, 041, 071 Z=4.0

**Subject to change as designated in the procedure in this handbook.