



United States  
Department of  
Agriculture

**INFORMATIONAL MEMORANDUM: IS-09-005**

Risk  
Management  
Agency

**TO:** All Approved Insurance Providers  
All Risk Management Agency Field Offices  
All Other Interested Parties

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**FROM:** William J. Murphy /s/ *William J. Murphy* 4/1/2009  
Deputy Administrator for Insurance Services

**SUBJECT:** Quality Adjustments for Aflatoxin-Infected Corn

**BACKGROUND:**

The Risk Management Agency (RMA) has completed its review of 2005 crop year indemnities paid to Texas corn producers to determine if claims were properly administered by Approved Insurance Providers (AIPs), and that indemnities were based on accurate determinations of producers' aflatoxin-related losses. Initially, the review looked at how AIPs obtained and used elevator market price bids to determine production to count for stored corn to ensure that the bids received from grain marketing outlets were consistent with FCIC-approved policy and procedure. During the review it became apparent that in addition to concerns over potential bid price manipulations, a significant number of losses were paid outside of other FCIC-approved procedures.

RMA reviewers found multiple aflatoxin-related procedural violations including: 1) claims paid even though samples were not obtained or delivered to the testing facility by disinterested parties as required, 2) samples were drawn and delivered outside of the timeframes specified by procedure, 3) test results were used even though they were determined to be unapproved tests or testing facilities, and 4) AIPs failed to correctly apply delayed Notice of Loss requirements.

In order to minimize the potential for manipulating market prices used to establish production to count, RMA amended the 2007 crop year insurance policy Special Provisions of Insurance (SPOI) and the associated procedures to eliminate the AIPs' need to conduct market surveys to determine a market value for infected corn. The 2007 SPOI quality statement and the Loss Adjustment Manual allowed producers with aflatoxin-infected production above 20 ppb to elect to receive a payment based on applying (1) a 50 percent discount factor to the producer's actual production, or (2) the reduction-in-value for sold production.



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This discount factor was to be applied to all aflatoxin-infected corn units for which the producers elected to settle the claim.

For the 2009 crop year, the corn policy SPOI was further revised to provide graduated discount factors for different levels of aflatoxin to address reports that the option of applying the 50 percent discount factor to reduced levels of aflatoxin contamination was being abused.

**ACTION:**

Each AIP shall ensure their loss adjusters are trained to correctly apply all FCIC-approved policy and procedure for adjusting claims with aflatoxin, and in particular, claims in which aflatoxin levels exceed those set by Federal, State Government, or any other regulatory body, especially with regard to the revised 2009 corn policy SPOI statements.

**DISPOSAL:**

This memorandum will remain in effect until December 31, 2009.