



United States
Department of
Agriculture

Risk
Management
Agency

1400
Independence
Avenue, SW
Stop 0801
Washington, DC
20250-0801

INFORMATIONAL MEMORANDUM: IS-09-017

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

FROM: Sue R. King /s/ Craig A. Witt for 11/4/2009
Acting Deputy Administrator
for Insurance Services

SUBJECT: Claims Advisory – Foreign Material (FM) and Dockage

BACKGROUND:

The Risk Management Agency (RMA) has identified through large claim participation and from other reports that reductions in the amount of production due to foreign material (FM) and dockage are not consistently documented and calculated according to Federal Crop Insurance Corporation (FCIC) issued policies and procedures. This results in some producers receiving more reduction while other producers receive less reduction than provided by loss adjustment procedures.

The 2009 Loss Adjustment Manual (LAM) Standards Handbook, FCIC 25010, PAR 98 provides procedures for determining adjustments to a unit's production for FM and dockage if allowed. For some situations, these procedures require contacting the grading facility or buyer to identify what was included in the FM or dockage designation. The AIP must also determine that the designations used by the grader or buyer meets the definitions issued by the Federal Grain Inspection Service or grading standards identified in the policy provisions. Generally, these procedures allow production to be adjusted for FM. However, dockage cannot be deducted unless the AIP determines dockage was due to an insured cause of loss and acceptable records support the deductions.

ACTION:

For all 2009 claims for indemnity which include calculations of FM or dockage, AIPs are reminded to consult applicable loss adjustment procedures and are required to apply 2009 LAM, PAR 98 in the settlement of those claims.

DISPOSAL DATE:

December 31, 2009.



The Risk Management Agency Administrators
And Oversees All Programs Authorized Under
The Federal Crop Insurance Corporation

An Equal Opportunity Employer