



United States
Department of
Agriculture

Risk
Management
Agency

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INFORMATIONAL MEMORANDUM: IS-09-018

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

FROM: Sue R. King /s/ *Sue R. King* 11/12/2009
Acting Deputy Administrator

SUBJECT: 2010 Regional Approved Insurance Provider (AIP) Underwriting
Guidelines for Peaches in Oklahoma and Texas

BACKGROUND:

The 2008 FCIC 18010 Crop Insurance Handbook (CIH) Sections 7D(1) and F(3) authorize the Risk Management Agency (RMA) Regional Offices (ROs) to issue Perennial Crop Underwriting Guidelines and provide authorization to AIPs for calculating approved Actual Production History (APH) yields. The CIH Section 7F(2)(b) provides procedure and formulas designed to identify and adjust high variability perennial crop yields that indicate patterns of alternate bearing or downward trending. Damage to perennial crops as a result of severe weather in 2008 may inadvertently identify certain perennial crops for high variability of yield procedures. To expedite the approved yield process and decrease the number of requests for determined yields received in our office, the Oklahoma City RO issues the following guidelines.

ACTION:

The following 2010 crop year AIP Underwriting Guidelines are in effect for Peach crop policies in the Oklahoma City RO area and supersedes the October 29, 2009, Directive issued by the Oklahoma City RO.

1. Peaches: Oklahoma and Texas only

For blocks or units meeting the criteria for high variability of actual yields, the following modification of the test for downward yield trend [CIH Section 7F(2)(b)2] may be made:

Remove the actual yield for 2008 from the calculation procedure (see example). If the average of the 2007 actual yield and 2009 actual yield is greater than 75 percent of the average yield for all years, the yield database is not selected for downward yield trend. The AIPs may approve the yield using the standard Category C APH procedure. The



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yield should be reported with RMA RO determined yield indicator “F”, no special case yield indicator, and the appropriate yield flag if “YA” was applied by the AIP. However, if the modified calculation procedure identifies the database for downward yield trend, then the formula in CIH Section 7F(2)(b) 2 applies, and “YA” or “Cup” is not applicable. Special case yield indicator “DF” should be reported.

Example:

2010 - APH Database for Peaches

Unit 00100

	AC	PROD	YLD	YA SUB
2005	10.0	890	89A	
2006	10.0	510	51A	
2007	10.0	610	61A	
2008	10.0	0	0A	41
2009	10.0	320	32A	

Average Yield: $233 \div 5 = 47$

Three year average: $61+0+32 = 93 \div 3 = 31 \div 47 = .66$ (downtrend)

2008 actual removed: $(61+32) \div 2 = 47 \div 47 = 1.00$ (no longer downtrend)

YA for 2008 (if elected) with 2008 T-Yield of 69: $YA=.60 \times 69 = 41$

RMA RO Determined Yield (calculated by AIP) = 55

In addition, the following provision applies:

When the 2010 insurable acreage of a block is adjusted due to a decrease in percent stand and in accordance with the Special Provisions of Insurance for the crop, the AIP should verify if any acreage in prior years should be adjusted to reflect percent stand. Adjustment of acreage for prior years may only be done based on tree count and density information certified by the insured on acreage and yield reports for the applicable year. In situations where the acreage for a prior year must be adjusted, a new yield must also be calculated.

2. Clarification of Other Procedures:

A new inspection is required when the insured answers “YES” to questions 22 and 23, or “NO” to question 24 contained on the Producer’s Pre-acceptance Worksheet in CIH Section 7F(2) c thru f. The purpose of the perennial crop inspection review is to assess the yield potential of the unit and to identify conditions that may limit the yield potential.

Conditions that may limit yield potential for the block or unit should be noted on a new inspection report when completed. Emphasis should be placed on items 27, 28, 29, and 36 A & B of the Pre-Acceptance Perennial Crop Inspection Report.

If there have been any significant changes to the orchard since the last inspection, an updated inspection should be performed, regardless of the date of the last inspection. It is critical that Company inspectors accurately assess the **current** condition of the orchard and evaluate the level of management for the insured unit.

In addition to requirements for pre-acceptance field inspections outlined in CIH Sections 7F(1) and 7F(2), new inspections will be required in the following situations:

- A. An insured unit that has more than a 10 percent change in acreage from the prior year due to changes in tree age, population (density), or variety requires an updated inspection regardless of the date of the last inspection.
- B. Any block of peach trees within an orchard that is greater than 15 years of age or exhibits a significant downward yield trend requires an annual inspection for insurability.

CIH Section 7F(2)(a) provides procedure for RMA RO Determined Yield request(s) when an insured, with reasonable cause, requests a yield higher than the average yield determined by the AIP. The insured must provide written justification for the request.

Any policy forwarded to the RMA Oklahoma City RO for a determined yield must include supporting documentation as outlined in CIH Section 7F(6) and a current perennial crop inspection (five years old or less) as outlined in CIH Section 7F(1) or as required by this underwriting guideline. Requests submitted in accordance with CIH Section 7F(2)(b)4 must be submitted within 30 days of notification by the AIP to the insured of the adjustment to their yield(s). All other RO determined yield requests, including change of practice, must be submitted within 30 days of the production reporting date for the applicable crop. Late requests will not be considered.

If you have further questions or need assistance, please contact the Oklahoma City RO at (405) 879-2700.