



United States
Department of
Agriculture

Risk
Management
Agency

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BULLETIN NO.: MGR-07-005

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

FROM: Eldon Gould /s/ *Eldon Gould* 5/4/2007
Administrator

SUBJECT: South Florida Drought and Nursery Crop Insurance Provisions

BACKGROUND:

The drought affecting South Florida continues to intensify. The South Florida Water Management District recently implemented Phase III restrictions in the Lake Okeechobee Service Area, and virtually all of the remaining area south of the lake is in a Phase II restriction. The South Florida Water Management District website has detailed information on the restrictions that can be viewed at <http://www.sfwmd.gov/>. Approved Insurance Providers (AIPs) have asked the Risk Management Agency for guidance concerning the nursery crop provisions and the drought situation.

Irrigation of field grown plants for all counties affected by the South Florida Water Management District restriction is not necessary per the 2008 Special Provisions of Insurance (SPOI).

ACTION:

Insurance attaches under the Nursery Crop Provisions (08-073), 7 C.F.R. §457.162, for the 2008 Crop Year on June 1, 2007, provided all policy requirements are met. The sales closing date is May 1, 2007. Sections 3(d) and 6(g) of the Crop Provisions limit increases in coverage level, the Plant Inventory Value Report (PIVR), or the Peak Endorsement if a loss occurs within 30 days of the requested increase. Drought is, by nature, a long-term process and the specific date when a loss occurs cannot be determined. Under the Nursery Crop Provisions, a program vulnerability is created if an increase in insurance coverage is allowed after a loss becomes imminent. In this situation, carryover nursery policyholders may wish to increase their coverage level prior to the sales closing date, submit a revised PIVR during the crop year, or elect a Peak Inventory Endorsement and, soon after the 30-day period has expired and the increased coverage is effective, report a claim. AIPs must be diligent not to allow increases in nursery container insurance coverage when the policyholder does not have the expectation of adequate water to carry out a good irrigation practice in accordance with the terms of Nursery Crop Provisions.



The Risk Management Agency Administers
And Oversees All Programs Authorized Under
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For new nursery policyholders, an inspection must be completed by the AIP prior to insurance attachment. If an inspection finds there is inadequate irrigation for the nursery or previously damaged plants, the AIP should follow the instructions in Paragraph 9(d) of the Nursery Underwriting Guide, FCIC 25090.

AIPs must also conduct inspections on all nursery policies insuring the container practice in the South Florida areas subject to water restrictions if the policyholder has sought to increase the overall insurance liability under the policy by requesting an increase in coverage level, submitting a revised PIVR, or electing a Peak Endorsement. Inspections must be conducted in accordance with the "Irrigated Practice Guidelines" contained in the Loss Adjustment Manual (LAM) Standards Handbook, FCIC 25010, and must be completed by June 1, 2007, to allow the AIP to reject any increase in liability if the policyholder has inadequate water to carry out a good irrigation practice. If a policyholder submits a revised PIVR or requests a Peak Endorsement after the sales closing date, the AIP shall inspect such nursery policies insuring the container practice within 30 days to ensure that the policyholder has adequate water to carry out a good irrigation practice.

Even though field grown plants do not require irrigation in this area according to the Special Provisions of Insurance, any increase in liability should be rejected by the company if a loss due to drought becomes imminent before June 1, 2007, for carryover policyholders or within 30 days of the requested increase for applications received after May 1, 2007.

This bulletin does not replace or supersede the inspections currently required by the Nursery Crop Provisions.

DISPOSAL:

This memorandum is in effect until May 1, 2008 or until the water restrictions are lifted.