



United States
Department of
Agriculture

Risk
Management
Agency

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BULLETIN NO.: MGR-09-006

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

FROM: William J. Murphy /s/ *William J. Murphy* 9/30/2009
Administrator

SUBJECT: Revised Loss Adjustment Procedures for Grain Bags - Effective 2009 Crop Year

BACKGROUND:

The Risk Management Agency (RMA) has received reports that the use of grain bag storage systems by producers is becoming more common and in particular many insured producers are using such for their 2009 grain crop.

Current procedures (PAR. 85 B (8) of the 2009 Loss Adjustment Manual (LAM) Standards Handbook, FCIC-25010) require pre-harvest appraisals to determine production for claim settlement purposes when production is going to be stored in the grain bags. Both Approved Insurance Providers (AIPs) and insureds have requested RMA to consider alternatives for determining production stored in grain bags to facilitate the loss adjustment process for the remainder of the 2009 crop year.

ACTION:

Effective immediately, for the 2009 crop year, the following loss adjustment procedures may be used when an insured stores grain (i.e., not silage, earlage, etc.) in grain bags:

- (1) AIPs may determine production contained in grain bags using the odd-shaped-structure procedures to determine the gross cubic feet of grain in the bags; i.e., measuring the component parts as stated in paragraph 110 (3) (e) of the 2009 LAM. A Combined Test Weight and Pack Factor is applicable to the crops listed in paragraph 110 C (1) of the LAM. (Gross cubic feet and Combined Test Weight



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and Pack Factor are part of the farm-stored Production-to count formula, as stated in paragraph 111.) When making measurements, the loss adjuster must:

- (a) Determine the Combined Test Weight and Pack Factor as stated in Steps 1-3 of paragraph 110 C (7) of the LAM. In lieu of paragraph 110 C (8) of the LAM, for this structure, calculate the square feet needed to determine the Combined Test Weight Pack Factor, as follows:
 - 1 Determine the circumference of the grain bag;
 - 2 Divide the circumference of the grain bag by 3.14; and
 - 3 Multiply this result by .7854 = square feet.
- (b) Obtain the required test weight sample (plus applicable samples for quality, etc.. If the required test weight samples cannot be obtained, the production determination cannot be completed. AIPs should caution loss adjusters to not cut or otherwise attempt to open the bag to obtain the samples. Only the insured should open or authorize the opening of the bag so the loss adjuster can obtain samples for test weight and quality purposes. Samples for quality must be taken no later than 60 days after the calendar date for the end of the insurance period. If the loss adjuster cannot obtain samples prior to this date for the purpose of determining grain quality, including samples to determine Vomitoxin, no quality will be allowed.

CAUTION: Except for Vomitoxin, samples to determine Aflatoxin or other mycotoxins, substances, or conditions injurious to human or animal health must be obtained by the loss adjuster prior to the grain entering the bag. Refer to paragraph 102 of the LAM for additional information.

- (2) The insured is allowed to request, in writing, to delay measurement of farm stored production and settlement of any potential associated claim for indemnity up to 180 days after the end of the insurance period. Refer to (1) (b) above for when samples for quality must be obtained. This request can also be used when the insured does not agree with the AIPs determination of the volume of grain in the bag(s) to allow the insured additional time to remove the grain from the bags to deliver to a buyer or move to a permanent farm-storage structure for the AIPs redetermination of the amount of production prior to completion of the claim.
- (3) If the AIP has completed pre-harvest appraisals for the crop prior to the issuance of this bulletin, but has not yet settled the claim:
 - (a) The AIP may use such pre-harvest appraisals to settle the claim;

- (b) The AIP may determine the amount of production to count from the settlement sheet(s) to settle the claim when ALL of the grain from the bag(s) has been removed, provided the production from the units delivered from the grain bags can be identified in accordance with (2). For quality adjustment of grain, refer to item (1) (b) above;
 - (c) The AIP may determine the production in the grain bag, as specified in item (1) above, to settle the claim, provided the amount of production for each separate unit contained in the grain bag can be identified. If production from:
 - 1 A single unit or multiple units have been weighed prior to being placed in a grain bag, the weight tickets may be used if all of the criteria in paragraph 104 of the LAM have been met.
 - 2 Multiple units have been placed in a grain bag and the unit production for each unit has been separated by one of the methods allowed in paragraph 105 of the LAM (e.g., load records) and all of the criteria in paragraph 105 have been met, such production may be used to settle the claims.
 - 3 Part of the grain stored in the bag(s) has been removed and sold, and part of the grain remains in the grain bag(s), settle the claim based on the settlement sheets for the sold production and measurement of production remaining in the grain bags. For quality adjustment of grain, refer to item (1) (b) above;
 - (d) The AIP may determine production from acceptable feed records as outlined in paragraph 92 of the LAM to settle the claim when all or part of the grain in the grain bags has been fed. However, if there are no acceptable feed records, the AIP must settle the claim using the initial pre-harvest crop appraisal for any portion of the grain that has been fed; or
 - (e) If by the time the loss adjuster makes the farm visit to determine the amount of production in the grain bags, the grain in the bags has been moved to a permanent farm storage structure (e.g., bin), the AIP may determine the production in the permanent farm storage structure, provided the unit(s) from which the production was harvested can be identified and the AIP is satisfied that all production for the unit has been established. For quality adjustment of grain, refer to item (1) (b) above.
- (4) If the claim has previously been denied because no pre-harvest appraisal could be completed, and production determinations can be made (based on sold and/or stored production as described in (1) and (3) above), the AIP may reopen the claim and make settlement based on this bulletin.

- (5) At the AIPs discretion, if a claim has already been settled using pre-harvest appraisals but production determinations based on sold and/or stored production as described in (1) and (3) above) can still be made, the claim may be reopened and settled using the procedures in this bulletin.

DISPOSAL DATE:

The bulletin will be effective until any applicable 2009 claim is settled and when applicable portions of this bulletin have been incorporated into procedures.