



United States
Department of
Agriculture

Farm and Foreign
Agricultural
Services

Risk
Management
Agency

1400 Independence
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BULLETIN NO.: MGR-12-022

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

FROM: William J. Murphy /s/ *William J. Murphy* 12/27/2012
Administrator

SUBJECT: Loss Adjustment Requirements for Crops Grown under an Organic Farming Practice

BACKGROUND:

The Standard Reinsurance Agreement (SRA) between the Risk Management Agency (RMA) and Approved Insurance Providers (AIPs) states in Section IV (f)(1)(A): “The Company shall verify yields and other information used to establish insurance guarantees and indemnity payments in accordance with the regulations and FCIC procedures.”

The Office of Inspector General recently conducted an audit of organic crop insurance policies. The audit identified that AIPs failed to carry out the loss adjustment procedures for organic farming practices in accordance with the FCIC-25010, Loss Adjustment Manual (LAM) Standards Handbook. The audit identified that because organic participation is relatively small in comparison to the overall scope of the crop insurance program, AIP loss adjusters were not always aware of the additional loss adjustment requirements for organic crop claims or knew how to conduct them.

The audit also indicated loss adjusters, when conducting loss adjustment for organic policies, were generally not aware of the importance of reviewing the organic plan and the on-site inspection report completed by an inspector as defined in the National Organic Program standards (CIH sec 11 2 (c)).

ACTION:

AIPs are reminded they must inform loss adjusters of the following:

1. For claims involving organic crops, if the AIP has obtained records from the insured in accordance with paragraphs 43 C (2) of the LAM, the AIP must also provide the loss adjuster with a copy of the records required in paragraph 43 B (1) for certified organic acreage and B (2) for transitional acreage.
2. If the AIP does not have copies of the records referenced in item 1 above, the loss



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- adjuster must obtain from the insured, copies of the records listed in paragraph 43 B, C, and G of the LAM. When completing the claim, the loss adjuster must use these records to verify the producer has followed their organic plan and used good organic farming practices.
3. In accordance with paragraph 136 of the LAM, the AIP must make a decision whether the production methods used by the producer constitute good farming practices (GFP) under the Basic Provisions and if the producer carried out those GFPs. In addition, according to paragraph 136, C (4) (d), the GFP decision will be based on “Whether the production method used by the producer will: . . . be generally recognized for the area or is contained in the organic plan, as applicable.” The loss adjuster must document on a Special Report the steps taken to determine if a GFP was used, and that the insured has followed a GFP. If an organic agricultural expert helped make this determination, document the name and address of the organic agricultural expert(s) used, and advice or publications provided. Copies of these documents must be retained in the insured’s claim file.
 4. AIPs must ensure that future loss adjustment training includes a reminder of the requirements of the Organic Farming Practice procedures in paragraph 43 of the LAM and contained in this bulletin.
 5. USDA’s National Organic Program released two online courses that provide information on Organic Agriculture. These courses are available for free to the public and may be used by AIPs when conducting loss adjustment training on organic farming practices. The websites for the courses are as follows:

Organic 101, Fundamentals of Organic Agriculture (15 min.)
<http://apps.ams.usda.gov/organic/101/>

Organic 201, Organic Plan, Standards, Certification, and Enforcement (30 min.)
<http://apps.ams.usda.gov/organic/201/>

DISPOSAL DATE:

December 31, 2013.