July 26, 2010

United States Department of Agriculture

Farm and Foreign Agricultural Services

Risk Management Agency

P.O. Box 419205
Kansas City, MO 64141-6205

INFORMATIONAL MEMORANDUM: PM-10-035

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

FROM: Tim B. Witt /s/Tim B. Witt
Deputy Administrator

SUBJECT: Clarification of the Nursery Over-Report Factor

BACKGROUND:

Beginning with the 2011 crop year, the Risk Management Agency (RMA) implemented an over-report factor for the Nursery Crop Insurance program. The over-report factor adjusts indemnities when insureds are not able to provide documentation to support, within 10 percent, the difference between field market value A (FMV-A) and the basic unit value reported on the Plant Inventory Value Report (PIVR), revised PIVR and Peak Inventory Value Report, as applicable.

RMA has received questions regarding language in the Nursery Special Provisions of Insurance (SPOI), 2011 Nursery Underwriting Guide (NUG), and the 2011 Nursery Loss Adjustment Standards Handbook (LASH) as it relates to the over-report factor.

ACTION:

The questions RMA received and responses are as follows:

1) Is the over-report factor intended to adjust indemnities only when the basic unit value reported on the PIVR is more than 10 percent greater than field market value A (FMV-A)?

   The over-report factor adjusts indemnities ONLY when the basic unit values reported on the PIVR, minus the total of all previous losses as adjusted by any under-report factor or over-report factor, are greater than 10 percent of FMV-A plus the insured value of the plants listed on the verified sales records.

2) Is it appropriate to add the insured value of the plants listed on the verified sales records to FMV-A when determining if the over-report factor applies?

   It is appropriate to add the insured value of the plants listed on the verified sales records to FMV-A when calculating if an over-report factor applies. The mathematical representation for calculating an over-report factor is as follows:

$$\textit{Over-report factor} = \frac{\textit{Basic Unit Value Reported on PIVR, revised PIVR, Peak Inventory Value Report- total of all previous losses as adjusted by any previous under-report or over-report factor}}{\textit{FMV-A + insured value of the plants listed on the verified sales records}} - 1.100$$

3) Is it appropriate to apply the SPOI related to unreported plant types when the basic unit value reported on the PIVR has been over-reported?

   The SPOI related to the unreported plant types only applies when the basic unit value has been under-reported. For over-report and under-report situations, the unreported plant types will not be insured and, therefore, not eligible for an indemnity.

The 2011 Nursery LASH will be updated with slipsheets to reflect the information in this memorandum.

The SPOI related to the over-report factor and the SPOI related to the unreported plant types will be updated for the 2012 crop year.

DISPOSAL DATE:

May 31, 2011.