



United States
Department of
Agriculture

Farm and Foreign
Agricultural
Services

Risk
Management
Agency

Beacon Facility
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August 18, 2010

INFORMATIONAL MEMORANDUM: PM-10-041

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: Administering the Tobacco Crop Insurance Program for the 2010 Crop Year

BACKGROUND:

The Risk Management Agency (RMA) released new Tobacco Crop Provisions effective for the 2010 crop year. Approved Insurance Providers (AIP's) and others have requested RMA to confirm certain policy provisions and loss adjustment procedures to be used for administering the tobacco crop insurance program.

ACTION:

The following is provided for administering the tobacco crop insurance program consistent with the Tobacco Crop Provisions and the Tobacco Loss Adjustment Standards Handbook for the 2010 crop year:

1. Tobacco Quality Adjustment

The term "average value" is used in determining quality adjustment in accordance with section 12 (f) of the 2010 Tobacco Crop Provisions as follows:

- (a) The average value for harvested production includes the value of damaged and undamaged harvested production (excluding production having no value). Refer to section 3 G of the Tobacco Loss Adjustment Standards Handbook (LASH) for additional information. Refer to section 6 D of the Tobacco LASH for information about appraising unsold harvested tobacco remaining in the barn.
- (b) There is no quality adjustment on appraised unharvested production. Appraised unharvested production is counted pound for pound and valued at the insured's price election. Refer to section 3 G of the Tobacco Loss Adjustment Standards Handbook (LASH) for additional information.



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(c) Under section 12 (f) (1), the insured MUST contact the AIP before any mature, cured tobacco is disposed of so the AIP can inspect the tobacco to determine the extent of damage. (Note: “Disposed of” means: Transfer of title of the tobacco by sale or transfer by any other means or destruction of the tobacco). (Refer to Section 3 G (5) and (6) of the Tobacco LASH for further information regarding inspections of the tobacco by the AIP in determining the extent of damage.

2. Units

A basic unit is all insurable acreage of an insurable type of tobacco in the county in which the insured has a share on the date of planting for the crop year and is identified by a single Farm Service Agency Farm Serial Number (FSN) at the time insurance attaches for the crop year. When a single FSN covers tobacco acreage in more than one county or State or both, one Basic Unit is allowed and the insurance policy is written in the county issuing the FSN.

3. Report of Acreage (Lease Agreement)

The Tobacco Crop Provisions require the insured to provide a copy of any written lease agreements to assist the AIP in determining who has an insurable interest in the insured crop. When an insured fails to provide such written lease agreement by the acreage reporting date, the policy is not rendered null and void provided insurable interests and shares can be verified through other sources. Refer to paragraph 126 of the FCIC-25010, Loss Adjustment Manual (LAM) Standards Handbook for instructions on determining insurable shares. If the insurable interest and share cannot be adequately verified, then the acreage is not insurable.

4. Duties in the event of damage or Loss

Representative samples

Representative samples must be left in accordance with section 14 of the Common Crop Insurance Policy Basic Provisions and section 11 of the Tobacco Crop Provisions. The samples must not be destroyed until after the adjuster’s inspection. Refer to the section 3 D (1) of the Tobacco Loss Adjustment Standards Handbook (LASH) for further information.

Stalks and Stubble

In accordance with section 11 of the Tobacco Crop Provisions, the insured must leave all tobacco stalks and stubble in the unit intact for the AIP loss adjuster’s inspection. The stalks and stubble must not be destroyed until the AIP (not the

agent) gives written consent to do so, or until 30 days after the end of the insurance period, whichever is earlier. Section 3 D (2)(c) of the Tobacco LASH provides instructions for when the AIP can provide consent to destroy the stalks and stubble. Refer to Section 3 D (2) of the Tobacco LASH for further procedures regarding stalk and/or stubble inspection.

5. Settlement of claim

Commingled Production

When an insured has commingled production from basic units (i.e., FSN 123 and FSN 345), the basic units are not combined. Under section 12(a)(2) of the 2010 Tobacco Crop Provisions, if the producer is unable to provide separate acceptable production records for any basic unit, the AIP will allocate the commingled production to the basic units in proportion to the liability on the harvested acreage for such units. Refer to the (LAM) for instructions regarding commingled production. Also, refer to Section 4 of the Crop Insurance Handbook (CIH), for further information on providing acceptable production records for units in non-loss years.

6. Actual production history (APH) databases

While all carryover insured tobacco policies were rewritten under the new Tobacco Crop Provisions (10-0071) effective for the 2010 crop year, all existing Actual Production History (APH) databases must be used to establish the 2010 crop year liability.

DISPOSAL DATE:

This bulletin will remain in effect until incorporated into FCIC-issued procedures.