



United States
Department of
Agriculture

June 19, 2007

Risk
Management
Agency

PO Box 419205
Kansas City,
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INFORMATIONAL MEMORANDUM: PM-07-026

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, Product Management

SUBJECT: Calculation of Production to Count in Share Arrangements

BACKGROUND:

The Risk Management Agency (RMA) has received questions from Approved Insurance Providers (AIPs) regarding the proper calculation of production to count (PTC) for units when shareholders, insured under separate policy(s), elect to handle their grain differently (e.g. destroy, sell, feed, store). The questions have arisen, in part, due to the new quality adjustment (QA) statements on the Special Provisions of Insurance (SPOIs). The QA statements permit insureds with grain damaged so severely that it “falls off the charts” to choose to sell, use, feed, or destroy their damaged grain or, if there are minimal levels of mycotoxins, elect a discount factor (DF) of 0.500.

The Common Crop Insurance Policy, Basic Provisions (Basic Provisions) specify in Section 1 in the definition of “coverage” that the insurance coverage provided by the policy is against insured loss of production or value, by unit. Sections 2 and 10 of the Basic Provisions provide that the insured is the named person (individual, partnership, association, trust or other legal entity, including wherever applicable a State or a political subdivision) on the application. The share insured attaches only to the share of the person completing the application unless the application clearly states that the insurance is for an entity such as a partnership or a joint venture; or the person as landlord will insure the tenant’s share or the person as tenant will insure the landlord’s share. Additionally, Section 14 provides that it is the insured’s responsibility to provide a complete harvesting and marketing record for the insured crop, on the unit and that the insured must establish the total production or value received for the insured crop on the unit.

ACTION:

The Crop Provisions specify claims are calculated on a unit basis. The production guarantee and production to count are determined on a whole unit basis, and any share is applied at the end of the calculation.



The Risk Management Agency Administers
And Oversees All Programs Authorized Under
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In some cases, the SPOIs may allow some production to count from the unit to receive one discount factor while other production from the unit may receive a different discount factor.

AIPs must, in accordance with the policy, settle all claims on a unit basis and all production to count from the unit (including all the production owned by the various shareholders and quality that applies to the individual shareholder's production dependent upon its disposition) must be included when calculating any indemnity. A claim for indemnity may be completed once the final disposition, and any applicable quality discount factor(s), are determined for all production to count within the unit. In cases where there is a shareholder who is not insured and the insured producer is unable to provide the information necessary to determine a quality discount factor for the shareholder's production, such production is considered undamaged.

DISPOSAL DATE:

This Informational Memorandum is for transmitting information. It will remain in effect until further clarification is provided in the FCIC-issued loss adjustment standards.