



United States
Department of
Risk
Management
Agency

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August 4, 2008

INFORMATIONAL MEMORANDUM: PM-08-038

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: Actual Revenue History Pilot Plan of Insurance - Cherry Policy
and Insurance Documents Release

BACKGROUND:

On April 24, 2008 the Federal Crop Insurance Corporation (FCIC) Board of Directors (Board) approved the implementation of an Actual Revenue History (ARH) pilot plan of insurance for cherries (ARH-Cherry pilot program) effective crop year 2009. Section 522(c)(8) of the Federal Crop Insurance Act authorizes FCIC to contract for research and development of one or more revenue coverage plans. The ARH plan of insurance was developed as a general endorsement policy with the potential to offer revenue coverage for a number of crops. The ARH-Cherry pilot program is considered the prototype for this new revenue coverage design and unique crop provisions have been developed.

The ARH-Cherry pilot program is available in select counties in California, Idaho, Michigan, Montana, Oregon, Utah, and Washington. The ARH-Cherry pilot program is designed to protect growers against losses from low yield, low price, low quality, or any combination of these events. The pilot program utilizes individual producer historical revenues as the basis for the guarantee, using "packinghouse door" valuation, i.e., after harvest at the point of first delivery. Revenue to count for the purpose of determining an indemnity is the amount the grower actually receives, plus an assessment for harvest cost not incurred in the event of a production loss.

The following are key features of the ARH-Cherry pilot program:

- The guarantee is based on individual producer historical revenue;
- Producers certify annual acreage, production and crop sales;
- Producers must provide at least four years of annual revenue records;
- Producers who do not have four years of revenue records must use a transitional revenue (T-Revenue) for substitution purposes in calculating the guarantee; and
- Loss adjustment procedure uses producer-based revenue to count which allows for an indemnity to reflect economic loss due to poor quality.

Producers interested in the ARH-Cherry pilot program will need to contact a crop insurance agent and complete an application, which will be submitted through an approved insurance provider to RMA. RMA publishes a list of agents on its website at: <http://www.rma.usda.gov/tools/agent.html>



The Risk Management Agency Administers
And Oversees All Programs Authorized Under
The Federal Crop Insurance Corporation

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The ARH-Cherry pilot program premium calculator, along with the actuarial materials, will be available on the RMA web site by August 31, 2008. To access the RMA premium calculator:

Go to: <http://www.rma.usda.gov/>
Select: Tools and Calculators
Select: Premium Calculator
Select: Premium Calculation Online Tool

The sales closing date for ARH-Cherry pilot program is January 31 in California and November 20 in all other states.

ACTION:

The following 2009 crop year ARH-Cherry pilot program insurance materials will be available by close of business today and may be accessed on the RMA website from the crop policy page at: <http://www.rma.usda.gov/pilots/2009pilot.html>

Material

- ARH-Cherry Pilot Crop Provisions (2009)
- ARH-Pilot Endorsement
- ARH-Cherry (Pilot) Underwriting Guide (2009)
- ARH-Cherry (Pilot) Loss Adjustment Standards Handbook (2009)

DISPOSAL DATE:

This Informational Memorandum is for the purpose of transmitting information and its disposal date is December 31, 2008.