



September 21, 2010

United States
Department of
Agriculture

INFORMATIONAL MEMORANDUM

Risk Management
Agency

To: Approved Insurance Providers

Davis, California
Regional Office

From: Nancy Beaumont /s/ *Nancy Beaumont*
Director

430 G St., #4168
Davis CA
95616

SUBJECT: 2011 Regional Approved Insurance Provider (AIP) Underwriting Guidelines for Category C Perennial Actual Production History (APH) Crops (2012 crop year for Citrus and Macadamia Nuts)

ISSUE:

For the 2011/2012 crop year, the Davis Regional Office (RO) is issuing AIP Underwriting Guidelines. These procedures apply to states serviced by the Davis RO: Arizona, California, Hawaii, and Utah.

BACKGROUND:

The 2010 FCIC 18010 (6-2010) Crop Insurance Handbook (CIH) Sections 16E(2) and 16I(1) gives authority to the Risk Management Agency (RMA) RO for the issuance of Perennial Crop Underwriting Guidelines providing authorization to AIPs for waiving and calculating APH yields. The CIH Section 16H(8) provides procedure and formulas designed to identify and adjust high variability perennial crop yields that indicate patterns of alternate bearing years or downward trends in productivity. Section 16H(9) outlines instances when RMA RO approved APH yields are required; this includes instances when RO Determined Yields are recommended on the Perennial Crop Pre-Acceptance Inspection Report (PAIR). To expedite the approved APH yield process and to decrease the number of requests received in the RMA RO, we set forth the following guidelines.

ACTION:

A. GENERAL REQUIREMENTS:

When a policy triggers the PAIR selection criteria outlined in CIH Section 16E(1) requiring RO yield determination in CIH Section 16I, the following information for all blocks/units by practice, type, T-Yield map areas, and/or other characteristics (P/T/TMA/Other Characteristics) must be acquired by the AIP, and if applicable submitted to the RO:



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1. Supporting documentation as outlined in CIH Section 16I(2)(b); updated APH databases, hard copy records of acreage and production, Pre-Acceptance Worksheet (PAW), PAIR, Applicable Crop Addendum Worksheets (CAW) and a RMA RO Determined Yield Request. Do not send hard copy records into the Davis RMA RO, unless requested.
2. A current PAIR (five years old or less) as outlined in CIH Section 16E(1). Also, note in the Additional Procedures section of this letter, the RMA RO is requesting a recent inspection (2010 [2011 Citrus/Macadamia Nuts] crop year or newer) according to CIH Section 16E(1) for **reconsideration** regarding blocks or units being adjusted according to high variability or downward trend procedures.

B. Yield Substitution (YA) (Sixty percent Transitional Yields (T-Yields) :

Yield Substitution provided in CIH Section 17D(8) generally do not apply to blocks or units (by P/T) in special cases referred to the RMA RO for yield determination, including those cases waived for AIP approval. (See CIH Exhibit 13F). Cases identified in CIH Section 16H(8) that are waived by the RMA RO are eligible for YA if qualified and elected by the insured, when authorized by the RMA RO in providing a determined yield to a insured or when the additional criteria provided in Section D is not met. In these cases, the AIP may use YA by showing only the RMA RO approved special case yield indicator “DF” and the appropriate flag when using YA.

For example, an APH database meets the definition of a downward trend in the CIH; however, the APH database does not meet the additional criteria for adjustment provided in Section D of this letter. The example that follows provides the application of the downward trend yield adjustment:

Year	Yield	YA Yield	Calculations
2006	1,800		Simple Average Yield: 1,040
2007	1,500		Low years: $1040 \times .75 = 780$, Years $<780^*$, 2 years in 5 years.
2008	100*	720	T Yield: 1,200
2009	550*	850	Three Year. Ave: 633, Trend Factor: $633/1040 = .61$
2010	1,250		Approved Yield = 1,224 DF

Therefore, the insured receives a RMA RO determined approved yield of 1,224 coded with special case yield indicator ‘DF’ and appropriate flag for yield substitution.

C. Higher Yield Requests:

CIH procedures in CIH Section 16I(2)(a)1 allow the insured to request a RMA RO determined yield greater than the average APH yield with **reasonable** cause. Cases requesting a higher yield than the average yield require the information requested in item 1 above. In addition, the insured must provide a signed written explanation as to the reasonable cause for the higher yield. For older blocks or units that should have four years of insurable yield history, approve the Average APH Yield using standard APH procedures unless the following conditions apply:

1. Contains bearing acreage coming into insurable production;
2. Changes in farming, management, or cultural practices; or
3. Removal of older block(s) or portions of block(s)

D. Yield Trend Exceptions:

Trend tolerance guidelines contained in Section 16H(8) of the CIH apply to APH databases for individual blocks or units by P/T/V, which meet the criterion of a downward trend. The following modified procedures apply:

AIP approves the Average APH Yield for a block or unit that meets the definition of a downward trend and does not meet any one of the following three additional criteria (Note: Use Assigned Yields in the same manner as actual yields when calculating APH yields):

1. Both of the previous two (2) years are less than 75% of the Average APH Yield; or
2. Three (3) years or more years are less than 75% of the Average APH Yield in the last four (4) or five (5) years; or
3. One or more years in the most recent five years contains an Assigned Yield (P Yield Type).
 - a. For all APH databases meeting either criterion 1, 2 or 3 to determine whether a block or unit requires an RMA RO determined yield use the table and formula below.
 1. Determine the downward trend factor by dividing the most recent three-year average yield by the Average APH Yield and finding the corresponding yield adjustment factor (YAF).

Use the following YAF in the table below to determine the Approved APH Yield.

Approved APH Yield = Average APH Yield x YAF	
Downward Trend Factor ¹	YAF
1.0 - .75	1.00
.74 - .65	0.80
.64 - .55	0.70
.54 - .45	0.60
.44 - .35	0.50
.34 - .25	0.40
.24 - 0.0	0.30

¹Round to the nearest 100th

Example: Insured Reports the following:

Year	Yield	Calculations
2005	1,500	Simple Average Yield: 950
2006	1,800	Low Yrs 950 x .75 = 713, 3 yrs in 5 yrs
2007	500*	Three year average = 633
2008	1,250	Trend Factor = 633/950 = .67
2009	550*	Use a YAF = .80
2010	100*	950 x .80 = 760 DF

- b. APH databases for blocks or units meeting the CIH selection criteria in Section 16H(8), that do not meet the additional criteria in 1, 2 or 3 above, shall be reported by AIPs to RMA with special case yield indicator D. YA is authorized and must be submitted, when applicable, by the AIP with the appropriate flag. If adjusted by the above formula, AIPs report the APH database to RMA with special case yield indicator DF and YA does not apply.

E. Additional Procedures:

1. In accordance with CIH Section 16E(3), the deadline for submitting PAIR's to the RO shall be extended 60 days past the Production Reporting Date (PRD). The extended submission date applies only to those contracts, blocks, or units requiring RMA RO review and yield determination. See the table below for the applicable deadline for each crop.

Crop	PRD	+ 60 Days
Almonds	1/31	4/1
Apples AZ/UT	1/4	3/5
Apples CA	1/31	4/1
Avocados	1/14	3/15
Figs	4/14	6/13
Stonefruit	3/1	4/30
Citrus	1/10	3/11
Grapes	3/17	5/16
Macadamia Nuts	2/14	4/15
Pears	1/31	4/1
Plums	3/1	4/30
Prunes	3/1	4/30
Sweet Cherries	3/1	4/30
Table Grapes	3/17	5/16
Walnuts	3/17	5/16

Policies submitted to the RMA RO for Higher Yield requests outlined in this letter received in the RO later than 60 days after the PRD will receive an approved yield based on the CIH procedures or this letter.

2. RMA RO Approved Yields determined from formulas stated in the CIH or this letter will follow administrative review deadlines and procedures stated in CIH Section 16H(8)(f). Please include a copy of the written notification to the insured of the adverse decision. If an insured requests that the yield be reviewed by the RMA RO, the AIP must submit all of the following:
 - a. The insured's request in writing;
 - b. A recent (2010 [2011 Citrus/Macadamia Nuts] crop year or newer PAIR; and
 - c. All other documentation as outlined in A.1 General Requirements above.

Please contact the RMA RO if you have any question or if we can be of assistance.