

DECEMBER 16, 1999

**UNDERWRITING STANDARDS
CHERRY DOLLAR PLAN PILOT PROGRAM**

- 1 The FCIC 18010 Crop Insurance Handbook (CIH), in general applies to Cherries.
 - A Cherries are a Category D Crop.
 - B The changes/additions/references to the CIH described here apply to Cherries in the sections noted.
- 2 Sections 1 - 3 of the CIH apply to Cherries except where related to APH yield reporting or approval processes for other than Category D crops, unless related to instructions provided below. [e.g. definition of Production Reporting Date (PRD) applies as related to 5B 4].
- 3 **(NACAT→Cherry Modified Minimum Value Option)**, FCIC approved Cherry Modified Minimum Value Option.
 - (a) Permits the insured to select either Option I or Option II of the Modified Minimum Value Option for Cherry types given by the Special Provisions and for which the actuarial table designates rates.
 - (b) If an option is elected, new insureds must elect the option on their application. If a carryover insured, the option must be elected on a contract change form and submitted on or before the sales closing date for the initial crop year in which the insured wishes the option to be effective. This is a continuous option and may be canceled in accordance to the cancellation provisions in the policy. Cancellation dates are given by the Cherry Crop Provisions.
 - (c) FCIC approved Cherry Crop Provisions must be in force and all the terms and conditions of the policy adhered to.
 - (d) Option I and II of the Modified Minimum Value Option allow the total value of the harvested production to be determined as follows:
 - (1) For sold production, the dollar amount obtained by subtracting the allowable cost contained in the Special Provisions from the average net price received for each pound of cherries (this result may not be less than the modified minimum value option price contained in the Special Provisions for any pound of cherries), and multiplying this result by the pounds of cherries sold; and
 - (2) For marketable production that is not sold, the dollar amount obtained by multiplying the pounds of such cherries on the unit by the minimum value shown on the Special Provisions that applies without regard to the choice of the modified minimum value option. Harvested production that is damaged or defective due to insurable causes and is not marketable will not be counted as production.
←NACAT)
- 4 Procedures for perennial crops in Sections 5 and 7 of the FCIC 18010, CIH that refer to establishing and verifying individual yield histories are generally not applicable to Cherries. Differences are itemized below and indicated on the CIH Procedure Comparison & Reference Guide. The following procedures are to be used in conjunction with and in addition to the referenced paragraphs contained in the indicated sections of the CIH. Not applicable = NA.

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A UNDERWRITING & APH RESPONSIBILITIES

- 5A (1) Inform applicants/insureds of requirement to provide information for policy underwriting.
- 5A (9) Applies.
- 5B (4) Applies.
- 5D (6) Applies.

B CATEGORY C APH CROPS (PERENNIAL CROPS)

7D (3) (d) Interplanted cherry acreage

1. Blocks consisting of 100% cherry trees or a mixture of producing, young, dead or missing cherry trees shall be measured according to procedure in the Crop Insurance Handbook.
2. Blocks of cherry trees primarily, with other significant amounts of apple, pear, or peach trees, etc.; use net acres for measurement of the block if the other tree crop acreage is 10% or greater.

7E Producers Pre-Acceptance Worksheet (PAW) - Required (See CIH Section 7E for instructions).

- (3) Completion Instructions. All CIH instructions for PAW completion that are not related to APH apply. The following supplemental instructions also apply.

Item No. (10):

Instructions relating to the block production worksheet are NA for Cherries.

Item No. (13):

Enter both the variety and rootstock.

Item No. (20):

Insurability requirements are specified on the Special Provisions.

Item No. (21):

Enter the highest yield (pounds per acre) during one of the most recent three years.

Item No. (22):

Relate this question to the entries in column 21.

Item No. (25):

CERTIFICATION STATEMENT: Edit the second sentence by striking 'may result in a recomputation of the approved APH yield' and inserting 'may result in a lower amount of insurance per acre or a declaration of uninsurable'.

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7F Pre-Acceptance Field Inspection Selection Criteria.

Instructions for APH and/or RMA/RSO yield determination in this section are not applicable.

(1) (a) Applies.

(2) Preacceptance Field Inspection Criteria.

(c) Productivity is reduced ... the insured answered YES to Question 22 on the PAW.

(d) An organic or unconventional farming practice is carried out ... the insured answered YES to Question 23 on the PAW.

(e) The irrigation water supply is not adequate. ... the insured answered NO to Question 24 on the PAW.

(g) If the percent stand reported by the producer (column 17 of the FCI-12-PAW) is less than 80 percent in Michigan, Montana, Oregon, and Washington.

(h) On 10% of the policies. The insurance provider may conduct additional inspections on orchards with fewer than 5 acres.

(I) If selected for field inspection by the above criteria, a new inspection is required only if the most recent pre-acceptance field inspection is more than FIVE years old.

(5) (a) 2 Inspectors must complete orchard inspections and forward all documents to insurance providers by 30 calendar days after the PRD.

7G The Pre-Acceptance Perennial Crop Inspection Report and Crop Addendum Worksheets (FCI-12-P).

Instructions for APH and/or yield determination are NA for Cherries.

(2) Item No. (27)

Change column heading in A. To Based on the number of trees the prior year.

Change column headings in A.(1) to Less Than 40%, 40 - 59%, 60 - 79%, and 80 - 100%. Rows A.(2) and (3) are NA.

Item No. (29)

Use yield shown in Block 21 of the PAW.

(3) Crop Addendum Worksheets

Use the Almond Crop Addendum Worksheet (1H Exhibit 16 Almond/Citrus/Figs/Fresh Plums/Prunes/Stonefruit/Walnuts).

Item No. (13)

Describe the varietal planting pattern.

7H - 7L: NA for Cherries.

5 **Category D, Dollar Plan Crops**

8 B(1) **Eligible Crops:** Cherries,(See instructions in Section 7 (D) - (G) of the CIH which apply for Cherries).

8 B(2) **Plan Description.**

This plan offers the producer the opportunity to select one of several dollar amounts of insurance per acre. The available coverage elections and the rates are indicated on the actuarial table. Use any maps or supplemental listings included in the actuarial materials to determine the coverage options and premium rates.

(NACAT→NOTE: Production reports are not required to qualify for optional units. Exception: Cherries may be divided into more than one unit if, for each proposed (optional) unit:

- 2(a) **Records.** The insured maintains written, verifiable records of Cherry production for at least the previous crop year; and
- 2(b) **Non-contiguous Land.** The acreage of insured Cherries is located on non-contiguous land, separated by tracts of other ownership. Optional units are not allowed by section, section equivalent or FSA Farm Serial Number. ←NACAT).
- 2(c) **Supporting Evidence for Use When Verifying if Acreage Meets the Minimum Production Requirements for Insurability.**

Production: Cooperative pool statements, pool summary statements, receipts from packing houses, processors, or other buyers showing quantities (delivered and sold) and preharvest estimates of production certified by neutral third parties not involved in the insurance contract are acceptable supporting documentation. For direct sales to consumers, a complete daily accounting of harvested production is acceptable to verify the amount of production. Pick records are acceptable only if they meet the criteria as outlined in the CIH in Section 10 C(4).

Acreage: The same as that used for reporting acreage for insurability, according to CIH, section 7 D (3).

- 2(d) In Michigan, Montana, Oregon, and Washington; the amounts of insurance available are limited for units where live trees account for less than 80 percent of the unit acreage (item 27 of insureds Pre-Acceptance Perennial Crop Inspection Report).

| <u>Percent Stand</u> | <u>Maximum Amount of Insurance</u> |
|----------------------|---------------------------------------|
| 80% to 100% | Not limited |
| 60 % to 79 % | 66.7% of the Reference Maximum Amount |
| 40 % to 59 % | 50 % of the Reference Maximum Amount |
| Less than 40 % | Uninsurable |

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- 2(e) Any acreage of sweet cherries is determined to be grown for fresh market if the acreage consists of at least 66% fresh marketable varieties intended to be harvested and delivered for fresh market at the time acreage is reported for insurance (tree count basis) OR if at least 66% of the production from the acreage is expected to be harvested for fresh market (verifiable by current year production contract or historical records of delivery for fresh market purposes. (NOT APPLICABLE IN MICHIGAN).

Acreage of sweet cherries not meeting the above guidelines is not determined to be for fresh market. Insurance providers should instruct agents to advise prospective insureds of the above determination for insurability and acreage reporting purposes.

6 CIH Sections 9, 10, & 14 DO NOT APPLY TO CHERRIES.

CIH PROCEDURE COMPARISON & REFERENCE GUIDE

| APH (MPCI) | CHERRIES | CIH REFERENCES |
|--|-----------------|---|
| Approved Yields | No | Not Applicable (NA) |
| Preliminary Yields | No | NA |
| Acreage Determinations | Yes | See CIH Sec 7 D(3) |
| Base Periods | No | NA |
| Production Reports by Unit (Basic or Optional) | No | NA |
| Separate APH by P/T/V | No | NA |
| Separate APH by Map Area | No | NA |
| “T” Yields (FCI-35) | No | NA |
| Variable T Yield | No | NA |
| Assigned Yields | No | NA |
| Temporary Yields | No | NA |
| Block Production Worksheets & Unit Summary Worksheets | No | NA |
| Yield Descriptors | No | NA |
| Cups, Caps, Yield Floors | No | NA |
| High-Risk Land Exclusion | No | NA |
| Added Insurable Acres | No | NA |
| Added Land | No | NA |
| Production Reporting Date | Yes | NA |
| Use of Another Producer’s Records | Yes | See CIH Sec 10 E |
| Producer’s Pre-Acceptance Worksheet | Yes | See CIH Sec 7E and Separate Instructions by Crop |
| Pre-Acceptance Perennial Crop Field Inspection | Yes | See CIH Sec 7F/G and Separate Instructions by Crop |
| Crop Addendum | Yes | See CIH Sec 7G, Exhibit 16 and Separate Instructions by Crop |
| Mutual Consent Cancellation | No | NA |
| Liability Limitations | Yes | See Section 8B (2) (d) insert for Cherries |
| Separate Instructions by Crop | Yes | See attached FCIC 18010 Section insert for Cherries |

**PREMIUM CALCULATION EXAMPLE
CHERRY DOLLAR PLAN PILOT PROGRAM**

Base Premium:

- | | | |
|--|----|----------|
| <p>1. Enter the Reference Maximum Dollar Amount of Insurance (\$/Ac.) for the appropriate type and practice. (Assume: \$2,800)</p> | 1. | \$2,800 |
| <p>2. Enter the selected Coverage Level %; 50%, 55%, 60%, 65%, 70% or 75%, showing in decimal format (two decimal places). (Assume: 70%)</p> | 2. | .70 |
| <p>3. Enter the Base Premium Rate for the <u>applicable</u> Coverage Level.</p> | 3. | .085 |
| <p>4. Enter the estimated Insurable Acreage for the appropriate type and practice. (Assume: 100 acres)</p> | 4. | 100.0 |
| <p>5. Enter the Crop Share for the Acreage (decimal format, 3 places). (Assume: 100% = 1.000)</p> | 5. | 1.000 |
| <p>6. Enter the Base Premium determined by multiplying answer 1 times answer 2 (equals base liability per acre) times answer 3 (equals base premium per acre) times answer 4 (equals base premium for estimated acres) times answer 5 (equals base premium for estimated acres, adjusted for crop share).</p> | 6. | \$16,660 |

$$\begin{aligned}
 (\$2,800 / \text{ac}) \times .70 &= \$1960.00 \text{ base liability per acre} \\
 \times .085 &= \$166.60 \text{ base premium per acre} \\
 \times 100.0 &= \$16,660 \text{ base premium for 100.0 acres} \\
 \times 1.000 &= \$16,660 \text{ base premium for 100.0 acres (adjusted for crop share)}
 \end{aligned}$$

Producer Premium:

- | | | |
|--|----|----------|
| <p>7. Enter the Producer Premium factor from the Producer Premium Percentage Table 2.10.</p> | 7. | 0.635 |
| <p>8. Enter the Estimated Producer Premium, determined by multiplying answer 6 by answer 7; rounded to the nearest dollar. (\$16,660 x 0.635)</p> | 8. | \$10,579 |

This worksheet is intended to assist only in estimating Producer Premium.

**PREMIUM CALCULATION EXAMPLE
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Base Premium:

1. **Enter the Reference Maximum Dollar Amount of Insurance (\$/Ac.)** for the appropriate type and practice. 1.
2. **Enter the selected Coverage Level %;** 50%, 55%, 60%, 65%, 70% or 75%, showing in decimal format (two decimal places). 2.
3. **Enter the Base Premium Rate** for the applicable Coverage Level. 3.
4. **Enter the estimated Insurable Acreage** for the appropriate type and practice. 4.
5. **Enter the Crop Share for the Acreage** (decimal format, 3 places). 5.
6. **Enter the Base Premium** determined by multiplying answer 1 times answer 2 (equals base liability per acre) times answer 3 (equals base premium per acre) times answer 4 (equals base premium for estimated acres) times answer 5 (equals base premium for estimated acres, adjusted for crop share). 6.

Producer Premium:

7. **Enter the Producer Premium factor** from the Producer Premium Percentage Table 2.10. 7.
8. **Enter the Estimated Producer Premium,** determined by multiplying answer 6 by answer 7; rounded to the nearest dollar. 8.

This worksheet is intended to assist only in estimating Producer Premium.