United States Department of Agriculture

Federal Crop Insurance Corporation

FCIC-20250U

# CLARY SAGE INSURANCE STANDARDS HANDBOOK

## 2016 and Succeeding Crop Years

# RISK MANAGEMENT AGENCY
# KANSAS CITY, MO 64133

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| **TITLE: CLARY SAGE INSURANCE STANDARDS HANDBOOK** | **NUMBER: 20250U** |
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| **SUBJECT:**<br><br>**Provides the underwriting procedures and instructions for administering the Clary Sage crop insurance program.** | **OPI: Actuarial and Product Design Division** |
| | **APPROVED:**<br><br>*/s/ Tim B Witt*<br>**Deputy Administrator for Product Management** |

**REASON FOR ISSUANCE**

This handbook is being issued to provide underwriting standards for administering the Clary Sage Crop Insurance Program beginning with the 2016 crop year.

# CLARY SAGE INSURANCE STANDARDS HANDBOOK

## CONTROL CHART

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| | TP Page(s) | TC Page(s) | Text Page(s) | Exhibit Number | Exhibit Page(s) | Date | Directive Number |
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## FILING INSTRUCTIONS

This handbook is effective for the 2016 and succeeding crop years.

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# PART 1 GENERAL INFORMATION AND RESPONSIBILITIES

## 1 General Information

### A. Purpose

The purpose of the handbook is to provide instructions for establishing crop insurance coverage and to adjust losses in accordance with the Clary Sage Crop Provisions (16-0079) and as a supplement to the Crop Insurance Handbook - FCIC 18010 (CIH), the Loss Adjustment Manual - FCIC 25010 (LAM), the Clary Sage Loss Adjustment Standards Handbook - FCIC 20250L (LASH), and any other issuance that may be referenced herein.

### B. Authority

The Clary Sage Crop Insurance Program was approved by the FCIC Board of Directors under Section 508(h) of the Federal Crop Insurance Act.

### C. Program Duration

The Clary Sage Crop Insurance Program is available beginning with the 2016 crop year and is authorized until cancelled or extended by the FCIC Board of Directors.

## 2 Responsibilities

### A. AIP Responsibilities

AIPs will utilize this handbook and other standards, procedures, and instructions as authorized by RMA for the purpose of selling and servicing the Clary Sage Crop Insurance Program. AIPs should report program issues or concerns to RMA.

### B. Insured's Responsibilities

To be eligible for the Clary Sage Crop Insurance Program, insureds must comply with all terms and conditions of the BP and the Clary Sage CP.

**3-10 (Reserved)**

# PART 2 STANDARDS AND INSTRUCTIONS

## 11 Operational References

In general, the CIH, LAM, and LASH apply to the Clary Sage Crop Insurance Program. Exceptions, changes, and additions necessary for and unique to Clary Sage are referenced in this handbook. All procedures, rules, and requirements for Category B APH crops apply except as noted herein, and are supplemented with additional instructions in this handbook.

## 12 Overview of Changes

The Clary Sage Crop Insurance Program is new for the 2016 crop year. Any changes to policy documents, underwriting rules, etc. for succeeding crop years will be issued prior to the contract change date.

**13-20 (Reserved)**

# PART 3 CROP INSURANCE HANDBOOK

## 21 General Changes and Additions

Changes and additions to the CIH for Clary Sage are described in this part. Parts of the CIH not listed below that are applicable to category B crops also apply to Clary Sage.

## 22 CIH Part 2, Section 1, Paragraph 201B - Written Agreements

The program requirements in section 1 apply, except for paragraph 201B which indicates insureds may request coverage by written agreement if authorized by the policy. Written agreements are not available for Clary Sage.

## 23 CIH Part 2, Section 2, Paragraph 237 - Price

### Price Election Determination

The price election is the price per pound stipulated in the processor contract for sclareol (without regard to discounts or incentives) multiplied by the price percentage elected by the insured. However, in no case will the price election exceed the price per pound contain in the SP.

## 24 CIH Part 6, Sections 1, 2 and 3 - Replanting, Late Planting and Prevented Planting

### A. Replant Payment Requirements

Clary Sage is added to the list of crops in paragraph 604 containing buckwheat, cabbage, canola/rapeseed, etc. However, the requirement that the appraised amount of production must be less than 90% of the production guarantee is not applicable. For Clary Sage, the crop must be damaged to the extent that the remaining number of live plants is less than the minimum number of plants shown in the SP.

### B. Replant Payment

The amount of the replanting payment is the lesser of the actual cost to replant, or the amount determined by multiplying the lesser of 20 percent of the production guarantee per acre or 1 pound by the insured's price election and share.

### C. Late Planting

The late planting period begins the day after the final planting date and ends 10 days after the final planting date. The production guarantee is reduced 1 percent per day for each day acreage is planted after the final planting date. Acreage planted after the late planting period, regardless of the reason acreage was not previously planted, is not insurable and will be shown as uninsurable acreage on the acreage report.

## 24 CIH Part 6, Sections 1, 2 and 3 - Replanting, Late Planting and Prevented Planting (Continued)

### D. Prevented Planting

The prevented planting provisions in section 3 are not applicable. Prevented planting coverage is not provided.

## 25 CIH Part 7 - Units

Basic and optional units are applicable. EU's are available if provided for in the SP.

## 26 CIH Part 11 - Production Evidence

Clary Sage is added to the list of crops in section 2, paragraph 1115.

## 27 CIH Part 12, Section 5, Paragraph 1263 - Tolerances

Clary Sage is added to the list of crops in paragraph 1263B(2).

## 28 CIH Part 16, Section 1 - Category B Crops

The following is added to section 1:

**Clary Sage**

### A. Processor Contract Requirements

The insured must provide a copy of all production contracts to the AIP on or before the ARD.

### B. Determining APH Production

Actual yields used in the APH will be the number of pounds of sclareol purchased by a processor or determined from claims for indemnities.

### C. Acceptable Supporting Documentation

Acceptable supporting documentation consists of sage settlement sheets or grower summary reports from the processor, which show the number of pounds of sclareol produced.

## 29 CIH Exhibit 2A - Definitions

The definitions in Exhibit 2A are amended as follows:

**Category B Crops** - The definition of "category B crops" is amended to include "Clary Sage."

## 29 CIH Exhibit 2A - Definitions (Continued)

**Good Farming Practices** - In addition to the definition of "good farming practices" contained in Exhibit 2A, good farming practices include any cultural practices required by the processor contract.

**Late Planting Period** - In lieu of the definition of "late planting period" contained in Exhibit 2A, the period that begins the day after the final planting date for the insured crop and ends 10 days after the final planting date, unless otherwise specified in the Special Provisions. The production guarantee is reduced 1 percent per day for each day acreage is planted after the final planting date.

**Practical to replant** - In addition to the definition of "practical to replant" contained in Exhibit 2A, it will be practical to replant only if the processor agrees in writing to accept all production from the replanted acreage.

**Price Election** - In lieu of the definition of "price election" contained in Exhibit 2A, the value per pound of sclareol stipulated in the processor contract for sclareol (without regard to discounts or incentives) multiplied by the percentage of price elected by the insured. The price election cannot exceed the amount specified in the Special Provisions.

## 30 CIH Exhibit 2B. - Crop Policy Information

The following is added to Exhibit 2B:

**2016 CROP POLICY INFORMATION**

| APH Crops | FCIC | | Crop Category, APH Yield Tolerance | Late Planting (L) Prev. Planting (P) | Replant | Unit of Measure | Units by: Basic (B) Optional (O) Enterprise (E)[4] | High-Risk Land Exclusion Option |
|---|---|---|---|---|---|---|---|---|
| | Policy | CP | | | | | | |
| Clary Sage | 11-BR | 16-0079 | B, 5%[2] | L | Yes[1] | lbs. | B/O | Yes[3] |

1 Applies to additional coverage only
2 Tolerance for APH field reviews
3 Requires insured's signature, refer to the Actuarial Documents
4 EU(s) if provided for in the SP

**31-40 (Reserved)**

# PART 4 OTHER HANDBOOKS

## 41 Prevented Planting Loss Adjustment Standards Handbook

Prevented planting coverage is not available for Clary Sage. The Prevented Planting Loss Adjustment Standards Handbook is not applicable.

## 42 Loss Adjustment Manual (LAM) Standards Handbook

The provisions set forth in the LAM apply to Clary Sage, except as noted in the Clary Sage LASH or if in conflict with the policy provisions or this handbook.

## 43 Clary Sage LASH

The provisions set forth in the Clary Sage LASH are applicable.

**44-50 (Reserved)**

# PART 5 POLICY DOCUMENTS, INSURABILITY, AVAILABLE COVERAGE LEVELS, AND CALCULATION OF AN INDEMNITY

## 51 Policy Documents

The policy consists of the application for insurance, BP (11BR or successor document), Clary Sage CP, SP, Actuarial Documents, and, if elected by the producer, the Catastrophic Risk Protection Endorsement (09-CAT or successor document).

## 52 Insurability, And Production Contract Requirements

### A. Insurability

(1) Clary Sage acreage may be insured only if the producer has a processor contract in place and provides a copy of the processor contract to the AIP on or before the acreage reporting date. The insured crop must not be excluded from the processor contract during the crop year.

(2) Acreage that does not meet the rotation requirements, if applicable, contained in the SP is not insurable.

(3) Insurable practices for each county are shown in the actuarial documents.

(4) Any acreage of the insured crop damaged before the final planting date, to the extent that a majority of producers in the area would not normally care for the crop, must be replanted unless the AIP agrees it is not practical to replant.

### B. Contract Requirements

At a minimum the contract must contain the producer's commitment to plant and grow Clary Sage and to deliver the production to the processor; the processor's commitment to purchase all the production stated in the processor contract; and a base contract price.

## 53 Coverage Levels

Insureds may select coverage levels from catastrophic (CAT) through 75 percent of the approved yield.

## 54 Indemnity Calculation

Indemnities are calculated as follows:

| | |
|---|---|
| **1** | Multiplying the number of insured acres by the respective production guarantee (per acre); |
| **2** | Multiplying each result of section 1 by the respective price election; |
| **3** | Totaling the results of section 2; |
| **4** | Multiplying the production to be counted by the respective price election; |
| **5** | Totaling the results of section 4; |
| **6** | Subtracting the result of section 5 from the result of section 3; and |
| **7** | Multiplying the result in section 6 by the share. |

INDEMNITY CALCULATION EXAMPLE:

| Line | Variable | | Formula |
|---|---|---|---|
| **1** | Insured acres | 240.0 | |
| **2** | Coverage level | 65% | |
| **3** | Approved yield | 41 lbs. | |
| **4** | Production guarantee per acre | 27 lbs. | L3 x L2 |
| **5** | Production guarantee | 6,480 lbs. | L1 x L4 |
| **6** | Price election | $21.00 | |
| **7** | Value of production guarantee | $136,080 | L5 x L6 |
| **8** | Production to count | 4,320 lbs. | |
| **9** | Value of production to count | $90,720 | L8 x L6 |
| **10** | Value of production guarantee minus value of production to count | $45,360 | L7 - L9 |
| **11** | Share | 1.00 | |
| **12** | Indemnity | $45,360 | L10 x L11 |

**55-60 (Reserved)**

# PART 6 PILOT STATES AND COUNTIES

## 61 Insurance Availability

The Clary Sage crop insurance program is available in the following counties:

North Carolina
- Bertie County
- Chowan County
- Edgecombe County
- Martin County

**62-70 (Reserved)**

## Acronyms and Abbreviations

The following table provides the acronyms and abbreviations used in this handbook.

| Approved Acronym/Abbreviation | Term |
|---|---|
| AIP | Approved Insurance Provider |
| APH | Actual Production History |
| ARD | Acreage Reporting Date |
| BP | Common Crop Insurance Policy Basic Provisions |
| CAT | Catastrophic Risk Protection |
| CIH | Crop Insurance Handbook, FCIC-18010 |
| CP | Crop Provisions |
| EU | Enterprise Unit |
| FCIC | Federal Crop Insurance Corporation |
| LAM | Loss Adjustment Manual, FCIC-25010 |
| LASH | Loss Adjustment Standards Handbook, FCIC 20250L |
| RMA | Risk Management Agency |
| SP | Special Provisions |