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# HIGH-RISK ALTERNATE COVERAGE ENDORSEMENT STANDARDS HANDBOOK

2017 and Succeeding Crop Years



**UNITED STATES DEPARTMENT OF AGRICULTURE  
WASHINGTON, D.C. 20250**

<b>TITLE: HIGH-RISK ALTERNATE COVERAGE ENDORSEMENT INSURANCE STANDARDS HANDBOOK</b>	<b>NUMBER: 20190 20190-1</b>
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<b>SUBJECT:</b>  <b>Provides the procedures and instructions for the High-Risk Alternate Coverage Endorsement crop insurance program</b>	<b>OPI: Product Administration and Standards Division</b>
	<b>APPROVED:</b>  <i>/s/Thomas W. Worth</i>  <b>Acting Deputy Administrator for Product Management</b>

**This handbook is issued to provide official FCIC-issued underwriting instructions for administering the High-Risk Alternate Coverage Endorsement (HR-ACE) for the 2017 and subsequent crop years. It is effective until reissued or until the program is terminated by FCIC.**

**In the absence of industry developed, FCIC-approved procedure for this crop, all reinsured companies will utilize these standards for both underwriting and training.**

**SUMMARY OF CHANGES/CONTROL CHART**

The following list contains significant changes to the HR-ACE Insurance Standards Handbook, as determined by us. It may not represent all changes made. All changes made to this handbook are applicable regardless of whether or not listed.

Major Changes: See changes or additions in text which have been highlighted. Three stars (\*\*\*) identify where information has been removed.

Changes for Crop Year 2017:

- A. Updated procedures throughout to address enterprise units.
- B. Paragraph 21 – Updated to include procedures allowing written agreements for unrated land for the crop in the county (UC).
- C. Part 3 procedures regarding exception to CIH section 2 – Removed these procedures. Those procedures that were in CIH section 2 have been moved to GSH paragraph 803C(1) and procedures specific to HR-ACE have been added at paragraph 803C(5). Therefore, the procedures that were in this handbook are duplicative and no longer needed.
- D. Removed the reference to enterprise units in Exhibit 3 3B(6).

# HIGH-RISK ALTERNATE COVERAGE ENDORSEMENT STANDARDS HANDBOOK

## CONTROL CHART

High-Risk Alternate Coverage Endorsement Standards Handbook						
	TP Page(s)	TC Page(s)	Text Page(s)	Exhibit Page(s)	Date	Directive Number
Remove	1-2		13-14		06-2016	FCIC-20190
Insert	1-2		13-14		06-2016	FCIC-20190-1
Current Index	1-2	1	1-10	11-12 13-14 15	06-2016 06-2016 06-2016 06-2016	FCIC-20190-1 FCIC-20190 FCIC-20190-1 FCIC-20190

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STANDARDS HANDBOOK  
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# PART 1 GENERAL INFORMATION AND RESPONSIBILITIES

## 1 General Information

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### A. Purpose

This handbook provides procedure for administering the HR-ACE. The HR-ACE provides insureds who meet all eligibility requirements an opportunity to insure high-risk land on a separate additional coverage policy with coverage greater than CAT but less than the coverage on the base policy.

### B. Source of Authority

The HR-ACE is a privately developed product based on the FCIC Board of Directors approval under Section 508(h) of the Federal Crop Insurance Act. This handbook provides the FCIC-approved procedures for administering the HR-ACE.

### C. Related Handbooks

The following table provides handbooks related to this handbook.

CIH	All instructions in the CIH apply to HR-ACE with the exception of those items identified in this handbook.
GSH	All instructions in the GSH apply to HR-ACE with the exception of those items identified in this handbook.
LAM	There are no additions or modifications to the LAM. All instructions in the LAM apply to HR-ACE without change.
PP LASH	There are no additions or modifications to the PP LASH. All instructions in the PP LASH apply to HR-ACE.
Crop LASH	There are no additions or modifications to the Crop LASH. All instructions in the Crop LASH apply to HR-ACE.

### D. Duration

The HR-ACE will be effective until terminated by FCIC.

### E. AIP Option to Offer

Because this is a 508(h) submission, AIPs are not required to offer the HR-ACE to insureds. Accordingly, each AIP must determine whether they will offer the HR-ACE in the pilot area. AIPs that elect to offer the HR-ACE must offer it to all eligible insureds in the approved area, and must administer the program according to the procedures in this handbook.

## **1 General Information (Continued)**

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### **C. Approved Area**

The HR-ACE is available where premium rates and other actuarial materials for HR-ACE are included in the actuarial documents for the county.

### **D. Applying for HR-ACE**

Use the HR-ACE application developed according to HR-ACE application standards contained in Ex. 3. The application must indicate the insured has selected the HR-ACE along with the other required information.

### **E. AIPs and Agents**

For the purposes of the HR-ACE, AIPs may authorize contracted agents to perform all functions and actions authorized by the CIH as supplemented by the instructions in this handbook.

## **2 Responsibilities**

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### **A. AIP Responsibilities**

AIPs electing to offer the HR-ACE must:

- (1) offer it to all eligible insureds in the approved area; and
- (2) provide each insured a copy of the insurance documents.

### **B. Insured's Responsibilities**

To be eligible for the HR-ACE, the insured must:

- (1) elect the Endorsement on the application; and
- (2) comply with all terms and conditions of the HR-ACE and the base policy.

**3-20 (Reserved)**

## PART 2 ELIGIBILITY

### 21 HR-ACE

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#### A. Applicability

The HR-ACE applies to all acreage that meets the requirements for insurability under the terms of the Common Crop Insurance Policy-Basic Provisions (BP) and is designated as high-risk land.

#### B. Eligibility Requirements

To be eligible for the HR-ACE, the insured must comply with all of the terms of the HR-ACE.

- (1) High-risk land is not eligible for HR-ACE if the insured chooses the CAT level of coverage.
- (2) The insured must execute a HR-ACE application prior to the SCD for the crop.

#### C. Eligible States and Counties

Eligible states and counties are specified on the actuarial documents.

#### D. Eligible Crops

Eligible crops are limited to corn, soybeans, wheat and grain sorghum, unless the actuarial documents provide HR-ACE for additional crops.

#### E. Units

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WUs are not allowed on high-risk land covered by the HR-ACE.

- (1) OUs and BUs are allowed on high-risk land covered by the HR-ACE.
- (2) Election of the HR-ACE does not impact the unit structure of the base policy in effect.

- (3) Insureds can elect a different unit structure on their base policy than on the HR-ACE. For example, insureds can elect EU on their base policy and OU on the HR-ACE.

**Exception:** If insureds elect EUs on the HR-ACE, they must also have EUs on their base policy. Enterprise units by practice are not allowed under HR-ACE.

## F. Coverage levels (continued)

High-risk land excluded from the base policy under the terms of the HR-ACE must be insured under an additional coverage policy at any coverage level, not to exceed the coverage level of the base policy.

- (1) If the base policy is under the yield protection (YP) plan of insurance, the coverage level on the high-risk land covered by the HR-ACE is limited to a lower YP coverage level.

**Example:** The insured's corn policy is YP at 85 percent coverage level. The coverage level for the high-risk land covered by the HR-ACE must be YP with 80 percent coverage level or less.

- (2) If the base policy is under a revenue protection (RP) plan of insurance, the HR-ACE can have YP or the same RP plan of insurance.

- (a) If RP is elected on the base policy, the following are available for the high-risk land covered by HR-ACE:

- 1 RP at a lower coverage level than the coverage level on the non-high-risk land; or
- 2 YP at the same or lower coverage level than the RP coverage level on the non-high-risk land.

\*\*\*

**Example:** The insured's corn policy is RP at 85 percent coverage level. The corn planted on high-risk land covered by the HR-ACE can have RP at 80 percent coverage level or less; or YP at 85 percent coverage level or less.

- (b) If RP-HPE is elected on the base policy, the following are available for the high-risk land covered by HR-ACE:

- 1 RP-HPE at a lower coverage level than the coverage level on the non-high-risk land; or
- 2 YP at the same or lower coverage level than the RP-HPE coverage level on the non-high-risk land.

**Example:** The insured's wheat policy is RP-HPE at 85 percent coverage level. The wheat planted on high-risk land covered by HR-ACE can have RP-HPE at 80 percent coverage level or less, or YP at 85 percent coverage level or less.

**F. Coverage levels (continued)**

- (3) If the insured elects coverage levels by practice on the base policy, the insured may insure the high-risk land covered by the HR-ACE at different coverage levels for irrigated and non-irrigated acreage not to exceed the coverage level on the base policy for the non-high-risk land.
- (a) If RP is elected on the base policy and YP is elected on HR-ACE, the coverage level for the irrigated acreage insured under the HR-ACE can be the same or lower than the coverage level for irrigated on the base policy and the coverage level for the non-irrigated practice insured under HR-ACE can be the same or lower than the coverage level for the non-irrigated acreage on the base policy.
  - (b) Otherwise, the coverage level for the irrigated practice insured under the HR-ACE must be lower than the coverage level for irrigated on the base policy and the coverage level for the non-irrigated practice insured under HR-ACE must be lower than the coverage level for the non-irrigated practice on the base policy.

**B. Other Endorsements and Options**

The additional coverage policy for the land under the HR-ACE must have the same endorsement and option elections, with the exception of **unit structure** elections, as the base policy.

**C. Election**

The HR-ACE must be elected on **the** HR-ACE application on or before the SCD for the first crop year it is to be effective. Thereafter, it remains in effect until canceled by the insured or the AIP on or before the cancellation date or the HR-ACE is terminated by FCIC.

22-30 (Reserved)

## PART 3 MODIFICATION OF EXISTING PROCEDURES FOR HR-ACE

This Part identifies information specific to the applicability of changes and/or supplemental information to any existing procedures contained in the CIH, LAM, PP LASH, and specific Crop LASH for HR-ACE.

All instructions in the CIH apply to HR-ACE with the exception of the following items.

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### **31 CIH Part 9**

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For county/crops where HR-ACE is available, add the following as Paragraph 919:

#### **919 High-Risk Alternate Coverage Endorsement (HR-ACE)**

The BP provides insurance coverage on all insurable acres planted to a crop in the county. When coverage and rates are provided in the actuarial documents for high-risk land, insureds are required to insure the high-risk land at an increased cost reflective of the associated increase in risk. Insureds who wish to insure high-risk land at a lower coverage level on an additional coverage policy may amend their policy by signing and submitting the HR-ACE, by crop(s) and policy, to the AIP.

- (1) **The HR-ACE** is designed to exclude all high-risk land by crop and county from the base policy and insure it on a separate additional coverage policy with coverage greater than CAT and lower than the coverage on the base policy:
  - (a) For HR-ACE purposes, high-risk land is land for which a high-risk classification is provided in the actuarial documents.
  - (b) The additional coverage policy covered by the HR-ACE must be obtained from the same AIP as the underlying base policy. If both policies are not insured with the same AIP, it is acceptable the first effective crop year for the policies to remain with the respective AIPs unless the AIPs involved agree otherwise.
  - (c) If RP and HR-ACE are elected on the base policy, the following are available for the high-risk land covered by HR-ACE:
    - 1 RP at a lower coverage level than the coverage level on the non-high-risk land;  
or
    - 2 YP coverage at the same or lower coverage level than the RP coverage level on the non-high-risk land.
  - (d) If RP-HPE and HR-ACE are elected on the base policy, the following are available for the high-risk land covered by HR-ACE:
    - 1 RP-HPE at a lower coverage level than the coverage level on the non-high-risk land; or

**919 High-Risk Alternate Coverage Endorsement (HR-ACE) continued**

2 YP at the same or lower coverage level than the RP-HPE coverage level on the non-high-risk land.

(e) If YP and HR-ACE are elected on the base policy, only YP at a level of coverage lower than the coverage on the non-high-risk land is available.

(2) **When high-risk land is insured under the HR-ACE**, the additional coverage policy covered by the HR-ACE is considered a separate crop for administrative fee, unit division, added land and all other insurance purposes.

Exceptions: The number of years of actual/assigned yields for yield floor and percent of variable T-Yields will be determined by crop/county for both policies. Acreage limitations for added land will be determined on a county basis.

(a) Election of HR-ACE does not restrict or change unit structure on the base policy covering the non-high-risk land. Unit structure is a separate choice for each policy, with the exception of EUs: In order to have an EU on the HR-ACE, insureds must also elect and qualify for EUs under the base policy. However, WUs are not available for the high-risk land insured on an additional coverage policy covered by the HR-ACE.

(b) The additional coverage policy for the high-risk land under the HR-ACE must have the same endorsement and option elections, with the exception of unit structure election, as the base policy.

(c) All other provisions of the policy not in conflict with the HR-ACE are applicable.

(3) **Deadlines.**

(a) Application. HR-ACE must be elected on or before the applicable SCD (by crop and policy). HR-ACE is continuous until canceled.

(b) Cancellation. Cancellation of HR-ACE must occur on or before the cancellation date of the applicable CP. Once the cancellation date has passed, HR-ACE cannot be canceled or otherwise rendered ineffective by either the AIP or the insured for that crop year.

(c) Transfer. If the policy is transferred to a different AIP or a different plan, a new HR-ACE must be signed by the insured and submitted to the AIP on or before the applicable SCD.

919 High-Risk Alternate Coverage Endorsement (HR-ACE) continued

- (4) **Locations Available.** HR-ACE is available for land located in high-risk areas and for corn, soybeans, wheat, and grain sorghum in states and counties specified on the actuarial documents.
- (5) **Reporting Requirements for Acreage Covered by HR-ACE.** Acreage, along with production, planted on high-risk land insured on an additional coverage policy under the HR-ACE must be reported.
  - (a) **Acreage Reporting:** The acreage of the crop planted on high-risk land covered by HR-ACE must be reported on the acreage report for the additional coverage policy under HR-ACE for each crop year.
  - (b) **Separate Production Reports and Supporting Records:** Separate production reports and supporting records indicating planted acreage and harvested production for any high-risk land insured on the additional coverage policy under the HR-ACE are required.
- (6) **Only the Following WAs are Applicable for the HR-ACE:**

(a) High-Risk WA Requests (HR)

If the insured executed the HR-ACE and requests a reduction in premium rate of high-risk land through a WA, the following procedures apply:

- 1** If the RO issues a WA that goes into effect and does not provide standard county rating, the HR-ACE prevails and the insured must report the acreage on the additional coverage policy covered by the HR-ACE. WA rates apply.
- 2** If the RO issues a WA that goes into effect and provides standard county rating for the high-risk land, the insured must report the acreage as insurable under the base policy. A separate policy for the high-risk land is not applicable.

(b) Unrated Land for the Crop in the County (UC)

If the insured executed the HR-ACE and requests to insure unrated land for that crop, the UC WA must meet the following requirements:

- 1** The county has to have the WA crop listed as an insurable crop in the county at standard rates.

## **31 CIH Part 9 (Continued)**

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### **919 High-Risk Alternate Coverage Endorsement (HR-ACE) (continued)**

- 2** The WA contains rates on the crop in excess of the standard rates for the county.

## **32 CIH Part 10**

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For county/crops where HR-ACE is available, replace Paragraph 1031 with the following:

- (1) An EU consists of all insurable acreage of the same insured crop in the county in which the insured has a share on the date coverage begins for the crop year:
  - (a) For base policies and for HR-ACE, when an insured elects a single EU for all of the crop acreage in the county (not by irrigated practice and non-irrigated practice), the unit structure code provided in the actuarial documents for this election is EU; or
  - (b) For base policies only, when allowed by the actuarial documents, an insured elects and qualifies for separate EUs by irrigated practice and non-irrigated practice [see Part 7 Section 5 for examples], the unit structure code provided in the actuarial documents for this election is EP.

For county/crops where HR-ACE is available, add the following as Paragraph 1031(3):

- (3) The producer may elect an EU on HR-ACE only if the producer elects and qualifies for EUs on the base policy.

For county/crops where HR-ACE is available, replace Paragraph 1032(3) with the following:

- (3) An EU may not be further divided except as specified in this procedure [and allowing exceptions for HR-ACE]. However, the unit structure may be changed based on information determined to be correct when adjusting a loss or at any other time.

For county/crops where HR-ACE is available, replace Paragraph 1034D with the following:

#### **D. Qualification Determination**

Qualification for the EU will be determined at acreage reporting time when the insured reports the following:

- (1) For the base policy, all insurable non-high-risk acreage of the insured crop in the county for all BUs and/or OUs comprising the EU; and

**D. Qualification Determination (continued)**

- (2) For the HR-ACE, all insurable high-risk acreage of the insured crop in the county for all BUs and/or OUs comprising the EU.

**33 GSH Exhibit 3**

For county/crops where HR-ACE is available, replace the definition of Enterprise Unit with the following:

**Enterprise Unit –**

For the base policy, which covers all the non-high-risk land in the county when the HR-ACE is elected. All insurable non-high-risk acreage of the same insured crop in the county in which an insured has a share on the date coverage begins for the crop year provided the EU requirements are met.

For the HR-ACE, which covers all the high-risk land in the county. All insurable high-risk acreage of the same insured crop in the county in which an insured has a share on the date coverage begins for the crop year provided the EU requirements are met.

**34-40 (Reserved)**

**Acronyms and Abbreviations**

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

<b>Approved Acronyms/Abbreviations</b>	<b>Term</b>
AIP	Approved Insurance Provider
BP	Common Crop Insurance Policy-Basic Provisions
BU	Basic Unit
CAT	Catastrophic Risk Protection Endorsement
CIH	Crop Insurance Handbook
EU	Enterprise Unit
FCIC	Federal Crop Insurance Corporation
<b>GSH</b>	<b>General Standards Handbook</b>
HR-ACE	High-Risk Alternate Coverage Endorsement
LAM	Loss Adjustment Manual
LASH	Loss Adjustment Standards Handbook
OU	Optional Unit
PP	Prevented Planting
RMA	Risk Management Agency
RP	Revenue Protection Plan of Insurance
RP-HPE	Revenue Protection with Harvest Price Exclusion Plan of Insurance
RO	RMA Regional Office
SCD	Sales Closing Date
WA	Written Agreement
WU	Whole Farm Unit
YP	Yield Protection Plan of Insurance

**Definitions**

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Base Policy means the additional coverage policy which insures the non-high-risk land from which the insured has excluded high-risk land and insured such high-risk land on a separate additional coverage policy under the terms of the HR-ACE.

High-Risk Land means land for which a high-risk classification is provided in the actuarial documents.

**Form Standards**

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**High-Risk Alternate Coverage Endorsement**

Insureds who wish to insure high-risk land on an additional coverage policy may amend their policy by signing and submitting the High-Risk Alternate Coverage Endorsement (HR-ACE) Application, developed according to these standards on or before the SCD for the first crop year the insured wishes to elect the Endorsement.

**1 Insured Information**

- A “Insured’s Name” (Substantive) B “Policy Number” (Substantive)
- C “Street or Mailing Address” (Substantive)
- D “City, State and Zip Code” (Substantive) E “County Name” (Substantive)
- F “Identification Number” (Substantive)
- G “Identification Number Type” (Substantive)

**2 Crop Information**

- A “Crop(s)” (Substantive)
- B “Crop Year” (Substantive)
- C “Plan of Insurance or Percentage of Price” (Substantive)

**3 Terms And Conditions**

The following information must be on the form. (Substantive)

- A “In addition to Section 3B(2) of the Basic Provisions, I hereby elect this High- Risk Alternate Coverage Endorsement (HR-ACE), by this election I understand:
  - (1) I must have purchased an additional coverage policy under the Common Crop Insurance Policy Basic Provisions and applicable Crop Provisions.
  - (2) As used in this option, high-risk land is any land to which a high-risk classification applies as contained in the actuarial document(s). This Endorsement only applies in those counties where high-risk land is specified.
  - (3) That by signing this Endorsement it will continue from year to year unless I or [Insert AIP Name] cancel or change my election by written notice on or before the cancellation date or my coverage is otherwise canceled or terminated under the terms of my policy.

**Form Standards (Continued)**

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**3 Terms And Conditions (continued)**

- (4) That by signing this Endorsement it will continue from year to year unless I or [Insert AIP Name] cancel or change my election by written notice on or before the cancellation date or my coverage is otherwise canceled or terminated under the terms of my policy.
- (5) That by signing this Endorsement, I elect to insure my high-risk land on a separate additional coverage policy.” (Substantive)

B “By Electing this Endorsement, I elect to insure my high-risk land at any coverage level not to exceed the coverage level of my base policy. I understand:

- (1) If I have a Yield Protection (YP) policy, insurance for my high-risk land is limited to a YP policy with a lower coverage level.
- (2) If I have a Revenue Protection (RP) policy, insurance for my high-risk land is limited to a RP policy with lower level of coverage or a YP policy with the same or lower coverage level.
- (3) If I have a Revenue Protection with Harvest Price Exclusion (RP-HPE) policy, insurance for my high risk land is limited to limited to a RP-HPE policy with lower level of coverage or a YP policy with the same or lower coverage level.
- (4) I must select a coverage level greater than Catastrophic Risk Protection.
- (5) That any other options or endorsements elected on my base policy will continue under this Endorsement.
- (6) Whole farm units are not available on acreage which is provided crop insurance coverage under this Endorsement.
- (7) Written Agreements are not available on acreage which is provided crop insurance coverage under this Endorsement, except for those Written Agreements offering lower rates on the high-risk land and Written Agreements for unrated land for that crop in that county that meet the following requirements: a) that county has to have the WA crop listed as an insurable crop in the county at standard rates; and 2) the WA contains rates on the crop in excess of standard rates for the county. (Substantive)

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**Form Standards (Continued)**

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**C Other Information (continued)**

- (1) The acreage of the crop planted on high-risk land must be reported on the Acreage Report.
- (2) In the event of a loss on any insured unit, you must provide separate production records demonstrating the planted acreage and harvested production for any acreage which was provided crop insurance coverage under this Endorsement.
- (3) All other provisions of the policy not in conflict with this Endorsement are applicable.
- (4) Separate Administrative Fees will be assessed for each crop insured under this Endorsement. ” (Substantive)

**4 Required Signatures**

- A “Insured’s Printed Name, Signature and Date” (Substantive)
- B “Agent’s Printed Name, Signature, Date, and Code Number” (Substantive)

**5 Required Statements**

- A Certification Statement (Substantive)
- B Privacy Act Statement (Substantive)
- C Nondiscrimination Statement (Substantive)