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PECAN TREE CROP INSURANCE STANDARDS HANDBOOK

2018 and Succeeding Crop Years

RISK MANAGEMENT AGENCY
KANSAS CITY, MO

TITLE: PECAN TREE CROP INSURANCE STANDARDS HANDBOOK	**NUMBER: 20300U (1-2017)** 20300-1U (3-2017)
EFFECTIVE DATE: 2018 and succeeding Crop Years	**ISSUE DATE: March 16, 2017**
SUBJECT: Provides the procedures and instructions for administering the Pecan Tree crop insurance program	**OPI: Actuarial and Product Design Division** **APPROVED: March 16, 2017** **/s/ Richard Flournoy** Deputy Administrator for Product Management

REASON FOR AMENDMENT

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

1. Various references to the 2017 crop year were corrected.

2. Paragraph 11: Specifies that written agreements are not allowed under the PCT program.

3. Paragraph 23(A)(1): Clarifies that the selection of either the RM1 or RM2 tree reference price is made on a policy basis.

4. Paragraph 25(2): Revised the deadline to submit the PAIR.

5. Paragraph 25(3): Removed for clarity.

PECAN TREE CROP INSURANCE STANDARDS HANDBOOK

CONTROL CHART

Pecan Tree Crop Insurance Standards Handbook							
	TP Page(s)	TC Page(s)	Text Page(s)	Exhibit Number	Exhibit Page No.(s)	Date	Directive Number
Remove	1-2		1-2 5-8 11-12	9		01-2017	FCIC-20300U
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				10	71-80	01-2017	FCIC-20300U

FILING INSTRUCTIONS

The handbook pages listed in the Control Chart above under the “Insert” heading replace such pages in the FCIC-20300U Pecan Crop Insurance Standards Handbook, dated January 2017. This handbook is effective for the 2018 and succeeding crop years.

PECAN TREE CROP INSURANCE STANDARDS HANDBOOK
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PART 1 GENERAL INFORMATION AND RESPONSIBILITIES

1 Purpose

The purpose of this UG is to provide supplementary instructions for establishing PCT crop insurance coverage in accordance with the PCT CP (17-PCT), PCT LASH (FCIC-20300L), and the CIH (FCIC-18010).

In the course of delivering PCT crop insurance, AIPs may develop forms based on their internal needs. The forms must be developed according to RMA's approved standards contained in this handbook or as specified in the FCIC 24040, DSSH, and provide all required information. Standards and examples contained in this handbook do not contain required statements. Refer to the FCIC 24040 to determine the applicable statements to be included on each form. The Collection of Information and Data (Privacy Act) Statement and the Nondiscrimination Statement must be included on any form the insured signs or must be provided to the insured on a separate form, for each form that is signed by the insured. A copy must be maintained by the AIP. The Certification Statement must be included on any form that the insured signs that collects information from the producer.

2 General Rules

In general, the FCIC 18010 Crop Insurance Handbook (CIH) applies to pecan trees. Exceptions, changes, and additions are referenced in this supplement.

The PCT insurance program is a Tree Based Dollar Amount of Insurance Crop (Plan Code 40) program. The terminology and instructions contained in the CIH that apply to the completion of forms and responsibilities of the AIP and the insured apply to the PCT program.

3 Background Information

RMA is implementing the PCT program for all insurable pecan trees beginning with the 2018 crop year. The program is patterned after other tree-based dollar crop programs and provides an indemnity for trees that are either damaged or destroyed by freeze, wind (e.g. hurricane or tornado), freezing rain (ice damage), and other listed perils during the insurance period. The program's insurance coverage is based on a specified dollar amount of insurance per tree.

4-10 (Reserved)

PART 2 INSURABILITY

11 Availability

The PCT program is available for counties contained in the actuarial documents for Alabama, Arkansas, Florida, Georgia, Kansas, Louisiana, Mississippi, Missouri, New Mexico, Oklahoma, South Carolina, and Texas.

Written agreements are not allowed under the PCT program.

12 Eligibility

A. PCT Program

The PCT program is available to all persons with a share in a commercial PCT orchard meeting the insurability provisions contained in the BP, PCT CP, and SP and is located in approved states and counties.

B. Ineligible Persons

Any person with a delinquent debt to RMA or an AIP, or who is otherwise ineligible under the BP may not obtain PCT insurance coverage.

13 Important Dates

A. Contract Change Date

January 31 preceding the CD.

B. Sales Closing Date

May 15.

C. Cancellation and Termination Dates

June 30 before the beginning of the crop year.

D. Premium Billing Date

March 1 of the calendar year in which the insurance period ends.

E. Acreage Reporting Date

For new and carryover insureds, May 15.

F. Beginning of the Insurance Period Dates

(1) For new policies: On July 1 following the SCD date unless the AIP notifies the insured that all or a part of the insured's trees are not insurable; and

(2) For carryover policies: July 1 of the crop year.

G. End of the Insurance Period

The insurance period ends for the crop year:

PART 3 PCT PROVISIONS AND PROGRAM DETAILS

21 Insured Crop

A. Insured Crop (Commodity) and Type

The insured crop (commodity) and types are listed in the SP. The insurable crop and types are shown below:

Crop	Type
Pecan Trees	Group I Improved Varieties
	Group II Improved Varieties
	Group III Improved Varieties
	Group IV Native Pecan Trees
	Group V Seedling Pecan Trees

See the SP for a listing of varieties. Other types may be insurable if specified in the SP.

A single administrative fee is due for the insured crop.

See section 12(c) and section 13(i) of the CP for special insured duties and indemnity determinations for native pecan trees.

B. Insurability

*** In accordance with section 8 of the CP, the insured crop will be all pecan trees in the county for which a premium rate is quoted in the AD:

(1) That are grown in the county listed on the insured's application;

(2) In which the insured has a share;

(3) That are adapted to the production area;

(4) That are grown in an orchard for the purpose of producing a commodity intended to be sold for human consumption;

(5) That have the potential to produce a yield typical of a healthy tree of the same trunk diameter as the subject trees unless such trees were dehorned, pruned, or hedged; and

(6) That are located in an orchard that contains the minimum number of acres specified in the SP.

C. Exclusions

(1) In addition to the exclusions listed in section 8 of the BP, the insured crop will not include any trees that:

(a) Have not reached the 2nd crop year after the crop year of set out before the date insurance attaches. For example, the trees were set out in the 2017 crop year, insurance for such trees would attach July 1 for the 2019 crop year;

(b) Are native trees that do not have a trunk diameter of at least three inches;

(c) Have been grafted within a 12-month period before the date insurance attaches, unless the grafting is a result of rehabilitation;

(d) Are unsound, diseased, or unhealthy;

(e) For stage I – III trees, are toppled or leaning to the extent that reset is required, if practical, and such trees are not reset (see the definition of reset);

(f) For stage IV – V trees, are toppled or leaning;

(g) Were damaged before the beginning of the insurance period. (If trees suffered such damage the previous crop year, then insurance will not attach until the previous year's damage is determined, the insured submits a revised acreage report, and the trees are inspected and accepted by the AIP. A loss adjustment damage appraisal for the previous crop year will satisfy the inspection requirement.); or

(h) Are inspected by the AIP and considered unacceptable.

(2) In addition to the exclusions listed in section 8(b) of the CP, insurance will not be provided for:

(a) Blocks in which at least 25 percent of the:

(i) Trees are planted at a depth below the depth grown in the nursery or where the graft union is below the soil surface; or

(ii) Acreage is subject to poor drainage or ponding of water; or

(b) Any trees the insured intends to sequentially thin during the current crop year.

D. Insurable Acreage

(1) Pecan trees interplanted with other perennial crops are insurable unless the AIP inspects the acreage and determine it is not insurable.

(2) Each insurable block must contain the minimum number of trees per acre specified in the SP, if applicable.

22 Causes of Loss

A. Crop Provisions – Insured Causes

The CP provide crop insurance coverage only against the following causes of loss that occur within the insurance period:

(1) Wind (i.e. tornado or hurricane);

(2) Unless otherwise provided on the SP, freeze damage on:

(a) Trees that are in the third through fifth crop years after the crop year in which the trees were set out. For example, the crop year of set out is 2018; the third through the fifth crop years are 2021 – 2023; and

(b) Native trees with a trunk diameter between three and seven inches;

(3) Freezing rain (ice damage);

(4) Drought if allowed on the SP resulting in the dying or death of the trees;

(5) Flood;

(6) Fire, unless weeds and other forms of undergrowth have not been controlled or pruning debris removed; or

(7) Failure of the water supply caused by an insured peril, drought, or high salt levels in the water supply sufficient to cause damage (i.e. dying) to or death of the trees).

B. Crop Provisions – Exclusions

In addition to causes of loss excluded in Section 12 of the BP, any damage other than actual damage to the tree due to the causes specified above is not insured.

23 Establishing the Amount of Protection and Unit Value

A. Amount of Protection (unit)

The dollar amount of protection for the unit calculated by multiplying the number of insurable trees reported by the insured in each stage-block times the applicable reference price for the stage and restoration method (RM1 or RM2), as reported on the acreage report, totaling these values, and then multiplying this result times the insured's coverage level.

(1) The applicable reference price is the RM1 or RM2 Tree Reference Price shown in the AD (see the definition of restoration method) and selected by the insured.

The RM1 or RM2 reference price is selected on a policy basis by the SCD.

(2) Under the CTVE, the applicable reference price is the Maximum CTV Reference Price shown in the AD. (The insured may elect to provide actual sales records to determine CTV Reference Prices. See paragraph 31B.)

B. The unit value is the dollar amount determined for all insurable trees in each stage-block before any tree loss occurs times the applicable reference price for the stage and restoration method (RM1 or RM2), totaling these values (see A(1) and (2) above), and then multiplying this result times the insured's coverage level. The unit value is the basis for the indemnity and calculation of the URF.

24 Establishing Stages

A. Tree Stage: The tree stage is based on the diameter of the trunk at the time insurance attaches. The diameter is measured as 4.5 feet [diameter at breast height (DBH)] unless trunk limbs (two or more large limbs originating from the main trunk from which scaffold limbs originate) or scaffold limbs emerge from the main trunk at below this height. In this instance, measure the main trunk in an area below the trunk or scaffold limbs where the trunk diameter is uniform and free of trunk abnormalities (e.g. depressions, knots, etc.).

Trees that are pruned or dehorned are reduced to a lower stage (as shown below) and remain at that stage for the number of years required for the tree to recover to the original canopy volume (i.e. size) existing before pruning or dehorning.

Trunk Diameter and Stage at the Beginning of the Crop Year		Number of Crop Years Remaining at the Reduced Stage After the Crop Year of Pruning[1] or Dehorning			
		Pruning		Dehorning	
(Inches)	Original Stage	Reduced Stage	Years[2]	Reduced Stage	Years[2]
≤ 6	I	I	1	I	3
6.01-10.0	II	I	1	I	4
10.01-15.0	III	II	2	I	5
15.01-20.0	IV	II	2	II	5
>20.0	V	III	3	III	5

[1]See A(1) below [2]Crop years remaining

Example: A tree that is 14 inches in diameter is in stage III.

If the tree is dehorned in the 2017 crop year, the tree will be reduced to a stage I tree for the 2018 - 2022 crop years (5 crop years remaining after the crop year of dehorning.). For the 2023 crop year, the stage will be determined based on the tree diameter applicable for the crop year (i.e. if the tree diameter increased to 19.25 inches, the tree would be in stage IV).

(1) Insurable trees that have been spaded and relocated will be considered pruned for purposes of determining tree stage and crop years remaining and used to establish the insured's insurance coverage.

(2) Are damaged to the extent they require rehabilitation will be staged based on the rehabilitation practice that is required regardless of whether the trees are rehabilitated.

B. Toppled and Leaning Trees

Stage I – III toppled and leaning trees (toppled or leaning to the extent reset is practical; See the LASH, paragraph 33 for guidance) are not insurable. Such trees become insurable once they are reset. Trees reset after the beginning of the insurance period for the crop year can be reported for insurance purposes for the next crop year. Resetting trees does not affect tree stage unless the trees are also dehorned or pruned. (Insurance coverage for trees requiring resetting is only applicable to stage I – III trees. See definition of reset. Resetting stage IV – V trees is not considered practical. Stage IV – V trees that are toppled or leaning prior to insurance attaching are not insurable.)

25 PAW (PCT)/PAIR (PCT)

(1) The PAW (PCT) is completed annually (self-certification allowed following year of application) and submitted by the acreage reporting date (See Exhibit 3 for completion instructions and sample worksheet.).

(a) The applicant/insured certifies:

(i) By stage block and type for each unit, the numbers and diameters of trees to be insured and the applicable stage, by completing a PAW (PCT); and

(ii) Other information contained on the PAW (PCT);

(b) The applicant/insured also provides a Grove Identification Map (shown in Exhibit 5 with completion instructions) that shows locations of the stage-blocks identified in the PAW (PCT);

(c) An amended or revised PAW must be completed if any changes have occurred since the original certification that would alter the stage-block designations or the numbers of trees in affected stage-blocks (e.g., periodic change changes, tree damage resulting in buckhorning, resetting, etc., removal/thinning of trees, etc.; See Exhibit 3 instructions); and

(d) The PAW triggers the need for a PAIR when the applicant/insured answers:

(i) Yes to whether "… damage (e.g. wind (tornado/hurricane, freeze, drought, etc.) occurred to trees that will reduce the insured crop's coverage from previous crop years?"

(ii) Yes to whether "…practices or production methods (e.g. removal or thinning; resetting, dehorning, grafting; or hedging or pruning) have been performed that will reduce the insured coverage from previous crop years?"

Applicable changes must be reported on the acreage report.

(2) PAIR (PCT) (See Exhibit 4 for completion instructions and sample worksheet.)

(a) The PAIR (PCT) may be initiated at the AIP's discretion except that inspections and
*** PAIR (PCT)s are required and must be completed on or before June 30:

(i) For new applications;

(ii) For added insurable trees;

(iii) If related to insurability determinations;

(iv) For carryover policies when the insured transfers to a different AIP; or

(v) When triggered by the PAW (PCT). [See paragraph 25(1)(c) of this handbook.]

(b) Inspections and PAIR PCTs are required for carryover insureds:

(i) Prior to insurance attaching coverage against drought (see the SP and examples of drought damage in Exhibit 10, pictures 10-16);

(ii) If on the PAW (PCT), question 4 is answered "YES" or any of questions 5 – 9 on the PAW (PCT) are answered "NO". An inspection is required when KNOWN tree damage has occurred or cultural practices have been performed that will reduce the coverage of the insured crop and when the insured answers "YES" to related questions contained on the PAW (PCT); and

(iii) When spot checks are completed.

(c) An inspection and PAIR may be initiated at the discretion of the AIP or RO, when trees are removed.

(d) Key items the loss adjuster/inspector should consider in conducting the PAIR (PCT) are:

(i) Conditions identified in paragraph 21B and C of this handbook;

(ii) Tree count/type/stage by block;

(iii) Date of any removal or thinning; resetting, dehorning, grafting, hedging, pruning; or transitioning to organic; and

(iv) Whether the orchard is being maintained in a recommended manner with adequate tree spacing, no over-crowding or adjoining tree branches, good orchard floor management practice, etc.

***

26 Acceptable Records

A. Acceptable Records

Acceptable records may be requested at the time the PAIR (PCT) is completed or at loss adjustment to substantiate the tree counts, stages, and types reported by applicants/insureds. Such records may be required to resolve any discrepancy between the stage-blocks and types that were reported for the unit and the actual numbers, stages, and types of trees in the unit.

B. Record Types

The following types of records are acceptable, if the records indicate the location, number of trees, and planting dates [and other information required to establish insurability and stage the trees, e.g. year of dehorning, pruning, resetting (if resetting was required)], and insured type as designated in the SP:

(1) Planting records (orchard management records); and

Average Revenue Value and Maximum and Minimum Actual CTV Reference Prices Examples

Average Revenue Value Calculation Example

SUMMARY OF REVENUE HISTORY

CROP YEAR(s): 2018	INSURED'S NAME & ADDRESS: I. M.. Insured PHONE: XXX-XXX-XXXX	AGENCY OR SERVICING OFFICE: Any Agency PHONE: XXX-XXX-XXXX AGENT CODE : XXXX
CONTRACT NUMBER: XXXXX	OTHER PERSON:	INSURANCE PROVIDER: Any Company PHONE: XXX-XXX-XXXX COMPANY CODE: XX

~~UNIT NUMBER:~~ STAGE(S) AND TYPE OF TREES II, III, and V – Group I	FSA FN:	LEGAL DESCRIPTION: SECTION TOWNSHIP RANGE	PRACTICE:

INSURABLE or UNINSURABLE	NUMBER OF TREES:	COUNTY: Any County	STATE: Any State	PRE-ACCEPTANCE PERENNIAL CROP INSPECTION REPORT DATE:

YEAR 1	~~NET ACRES~~ NO. OF TREES 2	POUNDS PRODUCTION 3	GROSS SALES 4	AVERAGE GROSS SALES PER TREE 5	PRE-HARVEST APPRAISAL 6
2015	1000	86,591	95,250	95.25	
2014	1000	105,815	142,850	142.85	
2013	1000	135,950	135,950	130.95	
2012	1000	73966	110,950	110.95	

	7. TOTAL NUMBER OF YEARS	8. TOTAL AVERAGE GROSS SALES PER ~~ACRE~~ TREE	9~~. APPROVED~~ AVERAGE REVENUE VALUE[1] ~~PER ACRE~~
	4	480.00	See Calculation Sheet

[1]The Average Revenue Value would be entered in item 9 if the orchard contained a single stage. If there is more than one stage of insurable trees, the Average Revenue Value for each stage will be calculated as shown in Average Revenue Value Calculation Example contained in this exhibit.

Average Revenue Value and Maximum and Minimum Actual CTV Reference Prices Examples (Continued)

Average Revenue Value Calculation Example – For orchards containing more than one tree stage

The pecan orchard contains 1000 insurable improved variety trees consisting of stage II, III, and V trees. The insured provides the most recent four years of acceptable sales records.

The average gross sales per tree are:

Crop Year	
2015	$95.25
2014	$142.85
2013	$130.95
2012	$110.95
Avg. Gross Sales	$120.00

Using the factor table contained in the CTVE:

Stage	II	III	IV	V
Stage Factor	.433	.888	1.039	1.385

The average revenue value for each stage is:

Stage II: $120.00 × .433 (stage factor) = $51.96
Stage III: $120.00 × .888 (stage factor) = $106.56
Stage V: $120.00 × 1.689 (stage factor) = $202.68

The reference revenue value for each stage is:

Stage II: $34.10
Stage III: $79.43
Stage V: $232.46

Maximum and Minimum Actual CTV Reference Price Calculation Example – For orchards containing single or multiple stages

Preliminary maximum actual CTV reference price =
Stage II = $259 = {($51.96 ÷ $34.10) × ($102 ÷ 0.60)}
Stage III = $474 = {($106.56 ÷ $79.43) × ($212 ÷ 0.60)}
Stage V = $684 = {(202.68 ÷ $232.46) × ($471 ÷ 0.60)}

Maximum actual CTV reference Price =
Stage II = $187 {the lesser of the preliminary price $259 or $187 ($102 × 1.833)}
Stage III = $389 {the lesser of the preliminary price $474 or $389 ($212 × 1.833)}
Stage V = $684 {the lesser of the preliminary price $684 or $863 ($471 × 1.833)}

Preliminary minimum actual CTV reference price =
Stage II = $198 ($51.96 ÷ $34.10) × ($78 ÷ 0.60)}
Stage III = $396 ($106.56 ÷ $79.43) × ($177 ÷ 0.60)}
Stage V = $661 ($202.68 ÷ $232.46) × ($455 ÷ 0.60)}

Minimum actual CTV reference price =
Stage II = $143 {the lesser of the preliminary price $198 or $143 ($78 × 1.833)}
Stage III = $324 {the lesser of the preliminary price $396 or $324 ($177 × 1.833)}
Stage V = $661 {the lesser of the preliminary price $661 or $834 ($455 × 1.833)}