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Management
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Actuarial and
Product Design
Division

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QUARANTINE ENDORSEMENT (PILOT)

UNDERWRITING GUIDE

2011 and Succeeding Crop Years

Underwriting Standards for Crop Insurance
Contracts With the Quarantine
Endorsement

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

FEDERAL CROP INSURANCE CORPORATION DIRECTIVE		NUMBER: 24250 (08-2009)
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This underwriting guide contains the official FCIC approved underwriting instructions for the Quarantine Endorsement Pilot Program (2011-QE) for 2011 and succeeding crop years. The instructions in this guide are effective upon issuance and are not retroactive to any previous crop year. All approved insurance providers will utilize these standards for both underwriting and training unless a provider has developed, and FCIC has approved, procedures applicable for that provider.

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1 GENERAL INFORMATION**1A Purpose**

The Quarantine Endorsement (Pilot) Underwriting Guide provides instructions for establishing coverage in accordance with the Pilot Quarantine Endorsement and applicable crop provisions.

The Crop Insurance Handbook (CIH); Loss Adjustment Manual (LAM); AZ-CA Citrus Crop Provisions, Underwriting Guide and Loss Adjustment Standards Handbook; ARH Citrus Pilot Crop Provisions, Underwriting Guide and Loss Adjustment Standards Handbook; and APH Pilot Avocado Crop Provisions (CA), Underwriting Guide and Loss Adjustment Standards Handbook apply to crops and types insured with the Quarantine Endorsement Pilot Program (QEPP).

Exceptions, changes, and additions are included in this underwriting guide. If there is a conflict, this underwriting guide will control.

1B Source of Authority

The Pilot Quarantine Endorsement is an RMA internally developed product and was approved by the FCIC Board of Directors on May 7, 2009.

1C Duration

The Pilot Quarantine Endorsement is available beginning with the 2011 crop year and will terminate at the end of the 2014 crop year, unless canceled or extended by FCIC.

2 INSURABILITY AND ELIGIBILITY REQUIREMENTS**2A Availability**

- A(1) The insured must elect the Endorsement (if available) in writing on or before the sales closing date for the crop year for which the insured wishes to modify the terms of the Crop Provisions for an eligible crop. Once the Endorsement is elected, it will remain in effect for that crop for each subsequent crop year until:
- (1)(a) Such time as the insured or the approved insurance provider cancels it in writing in accordance with the Basic Provisions;
 - (1)(b) The crop insurance contract is terminated in accordance with the policy provisions; or
 - (1)(c) The insured elects the Catastrophic Risk Protection Endorsement for any eligible crop provisions in any crop year, which will be deemed to be cancellation of this endorsement by the insured.
- A(2) The Endorsement will not extend coverage relating to any quarantine as defined in the QEPP that is in existence on the date the insurance period begins for a given crop year.
- A(3) The QEPP is only available for:
- (3)(a) Citrus produced in the state of California and insured under the Arizona-California Citrus Crop Provisions or the Pilot Actual Revenue History (ARH) Navel Orange Pilot Crop Provisions;
 - (3)(b) Avocados produced in the state of California and insured under the Pilot Avocado Crop Provisions (CA); and
 - (3)(c) Any other crop for which the actuarial documents specify this Endorsement may be elected.

2B Definitions

- B(1) **Pest** – Any living stage of insects, mites, nematodes, slugs, snails, protozoa, or other invertebrate animals, bacteria, fungi, other parasitic plants or reproductive parts, viruses, or organisms similar to or allied with any of these, or infectious substances which can directly or indirectly injure or cause disease or damage in plants or parts, or processed, manufactured, or other products of plants.

B(2) **Quarantine** – An action taken by an appropriate authority to control a pest that:

- (2)(a) requires the destruction of the insured crop or the plants on which the insured crop is growing and the insured is not allowed to harvest and sell the insured crop prior to destruction of the plants; or
- (2)(b) does not permit the insured crop to be harvested, sold, transported, transferred, or otherwise restricts it from movement from the location where it was produced to the location of any buyer.

An action taken by an appropriate authority to control a pest that still permits movement of the fruit from the location where it was produced or that does not require destruction of the insured crop is not a quarantine for the purposes of this Endorsement even if it is designated as a quarantine by an appropriate authority.

B(3) **Quarantine Announcement** – An information memorandum posted by RMA on their website at www.rma.usda.gov or a successor website that a notice of a qualifying quarantine has been issued by the appropriate authority.

NOTE: The definitions do not include such terms as insects, disease, or other commonly used terminology to describe plant damage. The definition of pest as stated herein is taken from the regulations published by the Animal and Plant Health Inspection Service, USDA (APHIS). It is inclusive of all vectors that can injure or damage plants or their fruit. APHIS or a state declares quarantine for the purpose of controlling a pest. The important component of the Endorsement is the declaration of quarantine by an appropriate authority to control a pest regardless of whether that pest is an insect, a fungus, a snail, a parasitic plant, or other vector that causes damage.

Note also that the appropriate authority can be either APHIS or a state government authorized by statute to impose quarantine. Protection of plants in the United States is a shared responsibility between the Federal and State governments. In general, the responsibility of the Federal government is border security and interstate commerce. For example, with regard to Asiatic Citrus Canker (ACC) in Florida, the Federal government has imposed quarantine upon the shipment of citrus fruit or trees from the State of Florida. Shipments are allowed to most of the United States with the exception of citrus producing regions such as Arizona, California, and Texas. This is not a quarantine that qualifies for coverage under the Quarantine Endorsement since citrus fruit may move freely within the State of Florida and to most of the United States; hence, movement from the location where it was produced is allowed (see definition of quarantine). Quarantines that apply to

designated areas within a state generally are the responsibility of the state government.

2C Types Insurable

C(1) All insurable types of citrus produced in California are insurable under the QEPP.

C(2) Hass (including Lamb-Hass) avocados produced in California are insurable under the QEPP.

2D Insured Crop

D(1) The requirements for an insured crop as specified in the Crop Provisions for the eligible crop apply with no changes.

2E Insurable Practices

E(1) All practices specified in the actuarial documents for an eligible crop are insurable.

2F Insurable Units

F(1) Unit definition and unit division as established in the Crop Provisions for an eligible crop are not affected by the QEPP.

2G Coverage Levels

G(1) Available coverage levels for the eligible crops are not affected by the QEPP.

2H Insurance Dates and the Insurance Period

H(1) Insurance dates (contract change, sales closing, production reporting, etc.) are unaffected by the QEPP.

H(2) The insurance period is unaffected by the QEPP.

H(3) The quarantine must be initiated during the insurance period for the eligible crop as defined in the Basic Provisions and the Crop Provisions for that crop.

H(4) The coverage offered under this Endorsement ends at the end of the insurance period for the crop year in which the quarantine was declared. Coverage will not extend to the subsequent crop year, e.g., if a quarantine is declared during the insurance period for the 2011 crop year and such action

occurs before the sales closing date for the 2012 crop year, no coverage is provided for the 2012 crop year. A separate declaration of a quarantine during the insurance period for the 2012 crop year is needed for coverage to be applicable for the 2012 crop year.

21 Insurable and Uninsurable Causes of Loss

- I(1) In addition to the causes of loss specified in the Crop Provisions for the eligible crop, insurance is provided under the QEPP whenever:
- (1)(a) Insured production sustains unavoidable physical deterioration during the period of a quarantine such that, under the terms of the Crop Provisions for the eligible crop, it no longer is considered to be production to count or the quantity of such production is reduced; or
 - (1)(b) Insured production is destroyed or the plants on which it is growing are destroyed under the terms of the quarantine and the insured is not permitted to harvest and sell the production.
- I(2) The declaration of an action described as a quarantine does not necessarily activate the coverage under the QEPP. The quarantine MUST meet the conditions stated earlier. A quarantine action that allows movement of the insured crop after satisfying certain phytosanitary requirements or an inspection does not qualify as quarantine as defined in the QEPP. Extra costs to make the production eligible for movement are not reimbursed under the terms of the QEPP. Only a quarantine action that mandates destruction of the insured production or prohibits its movement from the place where it was produced is included for the purposes of the QEPP.
- I(3) Uninsured causes of loss as stated in the Crop Provisions for an eligible crop are amended as follows when the QEPP has been elected by the insured:
- (3)(a) Section 9(b)(2) of the Arizona-California Citrus Crop Provisions would read: “(2) Inability to market the citrus for any reason other than actual physical damage from an insurable cause specified in this section. For example, we will not pay you an indemnity if you are unable to market due to boycott or refusal of any person to accept production.”
 - (3)(b) Section 9(b)(3) of the Pilot Avocado Crop Provisions (CA) would read: “(3) Inability to market the avocados for any reason other than actual physical damage from an insurable cause specified in this section. For example, we will not pay you an indemnity if you are unable to market any avocado fruit due to boycott or refusal of any person to accept such fruit.”

(3)(c) Section 10(b)(3) of the ARH Navel Orange Pilot Crop Provisions would read: “(3) Inability to market the fruit for any reason other than actual physical damage from an insurable cause specified in this section. For example, we will not pay you an indemnity if you are unable to market due to boycott or refusal of any person to accept such fruit.”

l(4) These changes to the causes of loss section include deterioration or destruction of insured production as the result of a quarantine action as insurable. Such damage is included as “actual physical damage from an insurable cause of loss specified in this section.”

2J Production to Count

The changes to the Crop Provisions for an eligible crop DO NOT change the definitions of production to count. For example, citrus that is subject to a quarantine as defined in the QEPP that remains marketable as fresh fruit when the quarantine is removed is production to count. There MUST be actual physical damage during the term of the quarantine or the appropriate authority must order its destruction before such production can be excluded from production to count.

2K Duties in Event of Damage or Loss

The insured must comply with directives and instructions issued by the appropriate authority that pertain to the production practice being used to produce the crop (organic or conventional). For example, the insured must comply with all phytosanitary procedures that the appropriate authority requires during the period of the quarantine.

3 CROP INSURANCE HANDBOOK

Rules for applying FCIC 18010 Crop Insurance Handbook (CIH) to the QEPP are included in this section.

3A Definitions

The definitions included above are in addition to the general (not crop specific) terms, abbreviations, and definitions identified in the CIH.

3B Endorsements and Options (CIH Section 4E)

Specific changes to Section 4 of the CIH are itemized below:

CIH
Section
Reference

4E Endorsements and Options

Add the following new section as paragraph E(12)

E(12) (NACAT→Quarantine Endorsement

- 12(A) If the QEPP is elected, it must be selected on the application if a new insured. If a carryover insured, the Endorsement may be elected on a new application or RMA approved policy change form submitted on or before the SCD for the crop year in which the insured wishes the QEPP to be effective.
- 12(B) An RMA approved Crop Provisions for the eligible crop must be in force and all the terms and conditions of the policy adhered to.

4 PREVENTED PLANTING LOSS ADJUSTMENT STANDARDS HANDBOOK

This handbook is not affected by the QEPP.

5 LOSS ADJUSTMENT MANUAL (LAM) STANDARDS HANDBOOK

Rules for applying FCIC 25010 Loss Adjustment Manual (LAM) to the QEPP are included in this section. References are made with regard to the LAM for the 2009 crop year (FCIC 25010 (02-2009)). Changes are italicized.

LAM
Section
Reference

PAR. 121Q Other Causes of Loss Not Insured Against

PAR. 121 Q (3) is amended to read: “Quarantine (e.g., Karnal Bunt in wheat or Plum Pox Virus in Peaches), unless the crop provisions or SPOIs insure loss of production (or trees) due to required destruction of the crop under a State or Federal quarantine *or the producer has elected the Quarantine Endorsement Pilot Program.*”

PAR. 128 A General Information

PAR. 128 A (2) is amended to read: “When the first year damage is considered unavoidable, unless otherwise stated in the crop provisions (e.g., Florida Fruit Trees), *the Quarantine Endorsement Pilot Program*, or SPOIs, disease is not an insured cause of loss when the sole loss of production is due to the required destruction of the diseased crop (or, if applicable, tree) by a Federal or State quarantine, i.e., the per acre guarantee prior to required destruction is above the insurance guarantee. Refer to PAR. 121 Q (3).”

6 ARIZONA-CALIFORNIA CITRUS LOSS ADJUSTMENT STANDARDS HANDBOOK (LASH)

The Arizona-California Citrus Loss Adjustment Standards Handbook (LASH) is supplemented with instructions contained in this Underwriting Guide. Changes are italicized.

LASH
Section
Reference

3 Insurance Contract Information

3A(4) *Section 3A(4) is amended to read: "Damage or loss of production due to inability to market citrus for any reason other than actual physical damage from an insurable cause of loss (e.g., quarantine, boycott, or refusal of any person to accept production) is not insurable unless the producer has elected the Quarantine Endorsement Pilot Program and insurable damage or mandatory destruction of insured production occurs during the period the quarantine is in effect."*

3B *Section 3B (Provisions Not Applicable to Cat Coverage) is amended to include "(4) Quarantine Endorsement."*

8 Claim Form Entries and Completion Procedures

8BH. (Stage) *The following stage code abbreviations are added to the list contained in the LASH:*

QU.....Acreage unharvested while a quarantine is in effect AND the insured has elected the Quarantine Endorsement Pilot Program.

QH.....Acreage harvested while a quarantine is in effect AND the insured has elected the Quarantine Endorsement Pilot Program.

7 ACTUAL REVENUE HISTORY (ARH) CITRUS PILOT LOSS ADJUSTMENT STANDARDS HANDBOOK

The ARH Citrus Pilot Loss Adjustment Standards Handbook (LASH) is supplemented with instructions contained in this Underwriting Guide. Changes are italicized.

LASH
Section
Reference

10 **Claim Form Entries and Completion Procedures**

10CH. (Stage) *The following stage code abbreviations are added to the list contained in the LASH:*

QU.....Acreage unharvested while a quarantine is in effect AND the insured has elected the Quarantine Endorsement Pilot Program.

QH.....Acreage harvested while a quarantine is in effect AND the insured has elected the Quarantine Endorsement Pilot Program.

**8 CALIFORNIA AVOCADO PILOT LOSS ADJUSTMENT STANDARDS
HANDBOOK**

The California APH Avocado Pilot Loss Adjustment Standards Handbook (LASH) is supplemented with instructions contained in this Underwriting Guide. Changes are italicized.

LASH
Section
Reference

8 Claim Form Entries and Completion Procedures

8BH. (Stage) *The following stage code abbreviations are added to the list contained in the LASH:*

*QU.....Acreage unharvested while a quarantine is in effect
AND the insured has elected the Quarantine
Endorsement Pilot Program.*

*QH.....Acreage harvested while a quarantine is in effect AND
the insured has elected the Quarantine Endorsement
Pilot Program.*