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TOBACCO LOSS ADJUSTMENT STANDARDS HANDBOOK

2016 and Succeeding Crop Years

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

TITLE: TOBACCO LOSS ADJUSTMENT STANDARDS HANDBOOK	NUMBER: FCIC-25025 (08-2010) FCIC-25025-1 (02-2011) FCIC-25025-2 (12-2011) FCIC-25025-3 (12-2012) FCIC-25025-4 (12-2015)
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SUBJECT: Provides the procedures and instructions for administering the Tobacco crop insurance program	OPI: Product Administration and Standards Division APPROVED: Tim B. Witt /s/ Jason Albright, for Deputy Administrator for Product Management

REASONS FOR AMENDMENT

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

1. **Subsection 2B(4)** - Added the definition for county shown in the Common Crop Insurance Policy Basic Provisions. This change was mandated by MGR-14-024.
2. **Subsection 2B(4)** - Added definition for “Disposed of.”
3. **Subsection 3B(1)(f)** - Added language from the 2016 Special Provisions that specifies the end of the insurance period for Burley Tobacco only, will be the calendar date for the Final Harvest Date stated in the SP for any tobacco that remains unharvested after that date.
4. **Subsection 3F** - Revised the unit division guidelines to coincide with the unit definition in the Tobacco Crop Provisions in accordance with MGR-14-024.
5. **Subsection 3G(1)(a)** - Deleted footnote defining “Disposed of” and moved it to **Subsection 2B(4)**.
6. **Subsection 3G(1)(f)** - Revised the procedure to state if the insured chooses not to destroy production determined by the AIP to have zero market value, no adjustment will be made to production to count for quality.

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CONTROL CHART

Control Chart For: Tobacco Loss Adjustment Standards Handbook						
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1. INTRODUCTION

THIS HANDBOOK MUST BE USED IN CONJUNCTION WITH THE LOSS ADJUSTMENT MANUAL (LAM) STANDARDS HANDBOOK, FCIC-25010.

The FCIC-issued loss adjustment standards for this crop are the official standard requirements for adjusting Multiple Peril Crop Insurance (MPCI) losses in a uniform and timely manner. The FCIC-issued standards for this crop and crop year are in effect as of the signature date for this crop handbook at www.rma.usda.gov/handbooks/25000/index.html. All reinsured companies will utilize these standards for both loss adjustment and loss training for the applicable crop year. These standards, which include crop appraisal methods, claims completion instructions, and form standards, supplement the general (not crop-specific) loss adjustment standards identified in the LAM.

2. SPECIAL INSTRUCTIONS

This handbook remains in effect until superseded by reissuance of **either** the entire handbook **or** selected portions (through slipsheets or bulletins). If slipsheets have been issued for a handbook, the original handbook as amended by slipsheet pages shall constitute the handbook. A bulletin can supersede either the original handbook or subsequent slipsheets.

A. DISTRIBUTION

- (1) The following is the minimum distribution of forms completed by the adjuster and signed by the insured (or insured's authorized representative) for the loss adjustment inspection:
 - (a) One legible copy to the insured; and
 - (b) The original and all remaining copies as instructed by the approved insurance provider (AIP).
- (2) It is the AIP's responsibility to maintain original insurance documents relative to policyholder servicing as designated in their approved plan of operations.

B. TERMS, ABBREVIATIONS, AND DEFINITIONS

- (1) Terms, abbreviations, and definitions that are **general** (not crop specific) to loss adjustment are identified in the LAM.
- (2) Terms, abbreviations, and definitions **specific** to guaranteed production tobacco loss adjustment and this handbook, which are not defined in this section, are defined as they appear in the text.
- (3) Abbreviations:

DSSH	Document and Supplemental Standards Handbook, FCIC-24040
ZMV	Zero Market Value. Harvested tobacco with no value due to insured cause

(4) Definitions:

Average value	For appraised production, the value of such production divided by the appraised pounds for the tobacco types. For harvested production, the value of such production divided by the harvested pounds for the tobacco type. Refer to section 3 G for clarification of the average value of appraised production.
County	Any county, parish, or other political subdivision of a state shown on an accepted application, including acreage of a field that extends into an adjoining county if the county boundary is not readily discernible.
Disposed of	Transfer of title of the tobacco by sale or transfer by any other means, or destruction of the harvested production.
Harvest	Cutting or priming and removing all insured tobacco from the unit.
Hydroponic plants	Seedlings grown in liquid nutrient solution.
Planted Acreage	In addition to the definition of planted acreage in the Basic Provisions, land in which tobacco seedling, including hydroponic plants, have been transplanted by hand or machine from the tobacco bed to the field.
Pound	Sixteen ounces avoirdupois.
Priming	A method of harvesting tobacco by which one or more leaves are removed from the stalk as they mature.
Stick:	A piece of wood that is approximately 1-inch square and 42 inches long used for the purpose of hanging stalks of tobacco in the tobacco barn. One stick will accommodate about 6 stalks of average size tobacco.
Tobacco bed	An area protected from adverse weather in which tobacco seeds are sown and seedlings are grown until transplanted in the tobacco field by hand or machine.
Tobacco types	Insurable tobacco as shown on the Special Provisions.

3. INSURANCE CONTRACT INFORMATION

The AIP is to determine that the insured has complied with all policy provisions of the insurance contract. Tobacco Crop provisions which are to be considered in this determination include (but are not limited to):

A. INSURABILITY

The following may not be a complete list of insurability requirements. Refer to the Basic Provisions, Tobacco Crop Provisions, and Special Provisions for a complete list.

(1) Insured Crop

- (a) In accordance with Section 8 of the Basic Provisions, the insured crop will be each tobacco type the insured elects to insure and for which a premium rate is provided by the actuarial documents:
 - 1 In which the insured has a share;
 - 2 That meets all rotation requirements on the Special Provisions.
- (b) The insured will be considered to have a share in the insured crop if the insured retains control of the acreage on which the tobacco is grown and the insured bears any risk if the crop is damaged or lost.
- (c) Refer to the section for “Insured Crop” in the Basic Provisions for additional provisions.

(2) Insurable Acreage

- (a) Insurable acreage is acreage planted to the insured crop in which the insured has a share, except for acreage:
 - 1 Planted in any manner other than as provided in the definition of “planted acreage,” unless otherwise provided by the Special Provisions or by Written Agreement. Refer to definitions in subsection 2 B (4).
 - 2 On which the insured crop is damaged and it is practical to replant the insured crop and it is not replanted. In addition to this, tobacco acreage damaged before the final planting date to the extent that the majority of producers in the area would not normally further care for the tobacco crop, is not insurable unless such crop is replanted or we agree that replanting is not practical. Refer to the Basic Provisions and the LAM for the definition of “Practical to replant.”
- (b) Refer to the section for “Insurable Acreage” in the Basic Provisions or the LAM for additional reasons acreage is not considered insurable.

B. INSURANCE PERIOD

- (1) In addition to the provisions in section 11 (Insurance Period) of the Basic Provisions, coverage ends at the earlier of:
 - (a) Total destruction of the tobacco on the unit;
 - (b) Removal of the tobacco from the unit where grown, except for curing, grading, and packing;
 - (c) Abandonment of the crop on the unit;
 - (d) Final adjustment of the loss on the unit; or
 - (e) The calendar date for the end of the insurance period, which is the date immediately following planting and designated by tobacco types and states specified in the Tobacco Crop Provisions (or as otherwise stated on the Special Provisions).
- (2) For Burley Tobacco only, the calendar date for the Final Harvest Date stated in the SP for any tobacco that remains unharvested after that date.
 - (a) Tobacco must be harvested, and hung in a curing facility no later than the date specified in the SP.
 - (b) The insured must notify the AIP in writing no later than the date specified in the SP if any tobacco acreage will not be harvested. If the insured fails to comply with this requirement, any loss on such acreage will be considered solely due to an uninsured cause of loss (refer to section 14(b)(5) of the BP).
 - (c) Any tobacco acreage that is not harvested, and hung in a curing facility by the date specified in the SP:
 - 1 Will not be eligible for quality adjustment;
 - 2 That is damaged by an insurable cause of loss prior to the date specified in the SP, will be considered to have been damaged solely by uninsured causes unless it is appraised by the AIP (The appraisal will be used in determining any indemnity that may be due); and
 - 3 Will not be covered for any cause of loss that occurs after the date specified in the SP.

C. INSURED CAUSES OF LOSS

It is the insured's responsibility to establish any loss of production or quality was due to an unavoidable insured cause of loss as the result of a naturally occurring event that occurs during the insurance period. For example, even though fire is listed as a cause of loss in Section 10 of the crop provisions, the fire damage must have been due to a natural event that occurred during the insurance period. Refer to the **paragraph 1232** of the LAM for additional information about fire damage and specifically fire damage to curing tobacco in the barn.

D. INSURED'S REQUIREMENTS TO LEAVE REPRESENTATIVE SAMPLES AND STALKS/STUBBLE AND THE ADJUSTER'S INSPECTIONS OF THESE

- (1) **Representative Samples.** In accordance with Section 14 of the Basic Provisions, if the insured has given notice of damage less than 15 days before harvest or during harvest of the tobacco, the insured must leave intact, unharvested representative samples of the crop (RSCs).
 - (a) In accordance with section 11 of the Tobacco Crop Provisions, the RSCs:
 - 1 Must be at least 5 feet wide (at least two rows), and extend the entire length of each field in the unit.
 - 2 Must not be harvested or destroyed until AFTER the AIP [adjuster] has inspected them.
 - (b) The adjuster's inspection of the representative samples of the crop (RSCs). This inspection is used to determine if the pounds and damage of the harvested tobacco are representative of the pounds and damage of the intact (unharvested plants) in the RSCs. The inspections of the RSCs are also used to assist in verifying if additional damage or additional insured causes occurred to the tobacco after the initial inspection or last inspection if more than one inspection occurred.

(RESERVED)

- 4 If the inspection is later than 15 days after the date harvest was completed on the unit, why the inspection was done later than this;
 - 5 Any other pertinent information; e.g., types of disease(s) present, poor sucker control, infestation of weeds, poor management during curing process, etc.;
 - 6 Date of inspection; and
 - 7 Adjuster's signature and code number.
- (3) If the insured DID NOT submit a Notice of Damage or Loss to their AIP less than 15 days before or during harvest, the insured is not required to leave RSCs. When there are no RSCs for the adjuster to inspect, it may be more difficult for the insured to establish that an insured cause of loss damaged the tobacco rather than damage being caused from poor harvest and/or barn management practices.
- (a) When it is questionable whether the cause of loss being claimed was due to an unavoidable insured cause of loss that occurred in the field or the barn, the insured must provide verifiable documentation to the AIP that will establish the reason for the loss of production and/or quality was due to an unavoidable insured cause(s) of loss that occurred in the insurance period before a claim can be paid. Documentation the insured may provide to establish damage is due to an unavoidable insured cause of loss can include, but is not limited to, the following:
- 1 Weather reports from local weather bureaus to prove the times and frequencies of adverse weather events that caused the loss of production and/or quality;
 - 2 Names of any tobacco pests or disease causing damage and proof of control measures taken and the insured cause of loss that caused the control measures to be ineffective; and
 - 3 The opinions of at least one tobacco agricultural expert; and
 - a The opinions can be from published material and/or written opinions regarding whether the cause of loss was due to a natural cause that was unavoidable and whether the cause of loss would have caused a yield loss and/or quality deficiency in the cured tobacco. If a written opinion is submitted, it must include a statement regarding any familial or other business relationship between the expert and the approved AIP, agent, loss adjuster, or insured. If the written opinion cannot be backed up with published materials, the insured must provide at least one other additional agricultural experts opinion that supports this opinion as required in item (ii) below.

- b The recommendation of at least one additional agricultural expert if:
- (i) The expert providing an opinion has a business relationship with the producer, such as providing of advice and/or sale of inputs to the producer's operation, or is employed by a firm that has provided such advice or inputs;
 - (ii) The agricultural expert providing an opinion has a familial relationship with the producer or approved AIP, loss adjuster, or agent or will benefit financially from the outcome of the opinion as a result of some other business relationship other than disclosed amounts paid to provide a written opinion in a timely manner; or
 - (iii) The written opinion in 3a above is not supported by published documentation, then at least the opinion of one other agricultural expert that supports this opinion is needed.
- (b) The AIP will review and verify the documentation to determine if the documentation provided by the insured satisfactorily establishes there was an unavoidable cause(s) of loss that caused the damage or extent of damage. If the AIP determines the insured's documentation does not satisfactorily establish the cause and/or extent of damage, the AIP must take the appropriate action based on the evidence; i.e., pay the claim, assess uninsured cause appraisal for the portion of the loss the insured could not prove, or deny the claim.
- (c) Documentation. Retain, in the insured's file folder, all copies of all of the insured's documentation and the AIP's documentation of the AIP's review and verification of the insured's documentation and actions taken.

E. PROVISIONS AND PROCEDURES NOT APPLICABLE TO CAT COVERAGE

Refer to the CIH and LAM for provisions and procedures not applicable to CAT.

F. UNIT DIVISION

In lieu of the definition in the Basic Provisions, a basic unit is all insurable acreage of an insurable type of tobacco in the county in which the insured has a share on the date of planting for the crop year and that is identified by a single FSA FSN at the time insurance first attaches under the Tobacco Crop Provisions for the crop year.

G. QUALITY ADJUSTMENT FOR ONLY BURLEY AND FLUE CURED TOBACCO TYPES

(1) In lieu of section 12 (f) of the Tobacco CP, as indicated by the SP:

- (a) The insured must contact the AIP before any damaged tobacco is disposed of so the tobacco can be inspected to determine the amount of tobacco that may be eligible for quality adjustment. If the insured disposes of any damaged tobacco without giving the AIP the opportunity to inspect it, such tobacco will not be eligible for quality adjustment.

- (b) Tobacco production will be adjusted for quality, if deficiencies are the result of an insured cause of loss for any of the insured causes listed in section 10 of the crop provisions;

- (c) Quality adjustment is allowed only if:

- 1 The insured delivered the tobacco to a designated AMS grading station, obtained an assigned grade for the tobacco, and the assigned grade appears on the Discount Factor Chart in the SP; and
- 2 The tobacco is graded by a tobacco grader who is employed by the Agricultural Marketing System (AMS) or successor agency who assigns a grade in accordance with USDA Official Standards Grades published at CFR part 29.

Note: Any tobacco not graded by AMS, as stated in (c) above will not be eligible for QA.

- (d) Any adjustment in production to count is determined by multiplying the pounds of damaged tobacco production by the quality adjustment factor (QAF) for the corresponding grade. The QAF is determined by subtracting the applicable Discount factor (DF), for the corresponding grade in the Discount Factor Chart in the SP, from 1.000 (expressed as a three-place decimal).
- (e) No quality adjustment will be made on any production which has been assigned a grade that does not appear on the Discount Factor Chart in the SP.
- (f) Any production which, due to an insured cause, AMS has assigned a grade shown on the SP that lists “***” as the DF is considered to have zero market value (ZMV), if such production is destroyed in a manner acceptable to the AIP. If the insured chooses not to destroy such production, no adjustment will be made to production to count for quality.

Note: There is **no quality adjustment on** appraised **unharvested** production. It is counted pound for pound.

(2) Tobacco Graded by AMS' Tobacco Administration Grading Service (TAGS)

If any of the insured's tobacco has been graded at a TAGS location, AMS electronically transmits the graded tobacco information to RMA. RMA then transmits this information to the insured's AIP for the purpose of determining the quality adjustment factor(s) of any of the insured's graded tobacco that qualifies for quality adjustment. The information provides the AIP with at least the following:

- (a) Insured's policy state code, policy county code, and policy number;
- (b) Tax ID of the insured;
- (c) Crop Year;
- (d) Crop Code;
- (e) Grading Confirmation Number (GCN) that is assigned TAGS;
- (f) FSN;
- (g) Bale Number, Weight, and grade of each bale graded
- (h) Location where the tobacco was graded;
- (i) Date Tobacco was graded;
- (j) Tobacco type identified as burley (B) or flue-cured (F);
- (k) Leaf form – Leaf (L) or Strip (S);
- (l) Reloaded – Identified by Y or N as whether or not the Tobacco was reloaded on the truck for sale.

G.1. QUALITY ADJUSTMENT FOR ALL TOBACCO TYPES OTHER THAN BURLEY AND FLUE CURED

- (1) Mature (harvested and cured) tobacco production may be adjusted for quality deficiencies if, due to an insurable cause, the average value of the harvested tobacco is less than 75% (percent) of the insured's price election and all of the other quality criteria are met based on the following criteria in items (2)-(8).