



United States Department of Agriculture

Farm and Foreign Agricultural Services
Risk Management Agency

INFORMATIONAL BULLETIN

TO: All Reinsured Companies
All Risk Management Field Offices
All Other Interested Parties

FROM: Kenneth D. Ackerman /s/ Ken Ackerman 7-2-99
Administrator

SUBJECT: Herbicide Damage Loss Adjustment Advisory

ISSUE:

The Risk Management Agency (RMA) has received several inquiries regarding crop damage to corn caused by a new herbicide called "Balance." Reinsured companies have requested guidance on whether or not damage caused by the chemical is insurable and how losses should be determined under approved policy and procedure. The purpose of this bulletin is to ensure that all insurance providers are addressing these losses consistently.

DISCUSSION:

Producers in several parts of the country have reported their corn acreage has been set back or destroyed due to an adverse reaction to the new chemical herbicide called "Balance." RMA has been in contact with the manufacturer of the herbicide. The manufacturer has acknowledged that the chemical has damaged some acreage to the extent that replanting was appropriate and potentially reduced yields on additional acreage. The manufacturer indicated the herbicide was used on about 4 million acres of corn this year and as much as 400,000 acres of corn may have been adversely impacted to some extent. The manufacturer reported that to date they have only seen severe damage on about 25,000 acres of corn nationwide. The manufacturer is aggressively assessing this damage and is providing compensation to producers where appropriate. Some acreage has been destroyed and replanted while other acreage was left intact and has grown out of the initial damage on its own.



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The Risk Management Agency Administers and Oversees
All Programs Authorized Under the Federal Crop Insurance Corporation

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The crop insurance policy provisions preclude chemical damage as an insurable cause of loss. Accordingly, no losses should be paid for damage that can be attributed to any chemical or its application. Reinsured companies should make their loss adjustment personnel aware of the incidence of the damage this year in particular and loss adjusters should be asking producers if “Balance” was used and if the producer received compensation for losses associated with chemical damage.

Reinsured companies may reject replant payments if the cause of the replant was chemical damage, but may insure the replanted crop in accordance with the terms of the policy to the extent that any additional chemical damage is identified and assigned as an uninsurable cause of loss. Premium is earned and payable on any acreage damaged by “Balance” to the extent it must be destroyed and it was not practical to replant such acreage. In accordance with the policy provisions, insurance is considered to have not attached to acreage that was damaged to the extent that it was practical to replant and such acreage was not replanted; therefore, no premium is due and no indemnities are payable.

Additional precautions to make the producer aware that chemical damage is not an insurable cause of loss, such as a certification statement, may be a practical method of documenting cases of chemical damage and any payments made by chemical manufacturers.

This advisory is being issued as an informational bulletin as it does not change or modify any existing policy or procedure. It is intended to alert insurance providers of the reports received by RMA and to ensure consistent application of existing policy provisions.