



United States Department of Agriculture

Farm and Foreign Agricultural Services  
Risk Management Agency

**INFORMATIONAL MEMORANDUM**

TO: All Reinsured Companies  
All Risk Management Agency Field Offices  
All other Interested Parties

FROM: Kenneth D. Ackerman /s/ John Zirschky 2-11-00  
Administrator

SUBJECT: Rice Program Advisory for Production to Count and Cause of Loss  
Determinations (All Insurance Plans)

**BACKGROUND:**

Two issues have been raised with the Risk Management Agency (RMA) regarding the 1999 and 2000 rice crop. The first issue concerns the correct procedure for determining production to count for settling claims. Questions have been raised due to reports of some companies using different methods to determine production guarantees and losses for the 1999 crop year. The second issue involves questions that have been raised regarding 2000 crop year rice and how the policy will be administered relative to known or anticipated water shortages due to current and pending drought conditions across the Southern rice belt.

**DISCUSSION:**

**Determining Production to Count**

The Rice Loss Adjustment Standards Handbook, Part 9- B, section II, requires the use of **gross weights** in pounds to be entered on the claim form for adjustment of the loss. For production sold or stored in commercial storage, adjusters must obtain gross production (not net production) for the unit from the summary and/or settlement sheets. The gross weight is the gross production in whole pounds, before deductions for moisture and foreign material.



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All Programs Authorized Under the Federal Crop Insurance Corporation

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A survey of reinsured companies indicated that some rice claims are being prepared using the **net dry weight** from summary and/or settlement sheets in Louisiana. Reinsured companies must ensure that policyholders receive equal treatment under the terms of the policy and the approved procedures. Companies should review 1999 claims to ensure compliance with the requirement to use gross weights in establishing producers' guarantees and loss payments.

### **Crop Year 2000 Policy Requirements**

The Basic Provisions of the Common Crop Insurance Policy Section 12. Causes of Loss states in part (Policy references are for insurance plan 90 (APH) - policy provisions for other plans of insurance are similar.):

“The insurance provided is against only unavoidable loss of production directly caused by specific causes of loss contained in the Crop Provisions.”

The Rice Crop Provisions 98-018 Section 9. Causes of Loss states in part:

- (a) In accordance with the provisions of section 12 (Causes of Loss) of the Basic Provisions, insurance is provided only against the following causes of loss that occur during the insurance period:
  - (1) Adverse weather conditions (except drought);
  - (8) Failure of the irrigation water supply, if caused by an insured peril that occurs during the insurance period, and
- (b) In addition to the causes of loss not insured against in section 12 (Causes of Loss) of the Basic Provisions, we will not insure against any loss of production due to the application of saline water.

Due to the drought that is currently affecting much of the rice belt, irrigation water from reservoirs and wells may no longer be available or may have declined in quality due to increased salinity so that it is no longer suitable for irrigating crops.

For those areas in which it is known prior to planting that adequate quantities or quality of water will not be available during the growing season, planted rice acreage must be reported as uninsurable and no premium will be earned. Since drought is **not** an insured cause of loss, any rice acreage that was prevented from being planted will not be eligible for a prevented planting payment.

This advisory does not change or modify any existing policy or procedure. It is intended to alert insurance providers of concerns received by RMA and to ensure consistent application of existing policy provisions.

**DISPOSAL:**

This memorandum is for the purpose of transmitting/updating information and the disposal date is December 31, 2000.