



United States of Agriculture
Farm and Foreign Agriculture Services
Risk Management Agency

INFORMATIONAL MEMORANDUM: R&D-01-022

TO: All Reinsured Companies
All Risk Management Agency Field Offices

FROM: Tim B. Witt /s/ *Tim B. Witt*
Deputy Administrator

SUBJECT: Production Adjustment Quality Reporting Requirements

ISSUE:

The Risk Management Agency (RMA) requests comments regarding proposed new data-reporting requirements designed to obtain data needed to review, evaluate, and potentially rate for specific quality-related production adjustments for claims.

BACKGROUND:

The Agricultural Risk Protection Act of 2000, Section 107 states in part that RMA shall review the quality loss adjustment procedures to assure that they more accurately reflect local quality discounts and that any adjustments be actuarially sound. Although RMA is contracting for such a study, it will need access to quality adjustment data on an ongoing basis to properly consider, evaluate, and monitor such a program.

Many policies and endorsements reinsured by the Federal Crop Insurance Corporation provide for a reduction in production to count when the quality of harvested or mature appraised production is reduced due to insurable causes. Currently, the impact of such quality adjustments on indemnities is not specifically identified in the data reported to RMA. The information currently reported to RMA includes the harvested production and production-to-count fields. However, these fields do not provide enough information about production adjustments to permit RMA to independently measure the impacts of quality adjustments on the crop insurance program.

ACTION:

RMA requests comments regarding five new data fields proposed for the Data Acceptance System's (DAS) Loss Record 21. The new fields would allow RMA to capture the gross production before any adjustments, the adjusted production prior to the quality adjustment, and



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the net production after quality. The existing DAS Loss Record has adequate space to permit reporting this information. The proposed new fields are:

- a. Gross harvested production: Total quantity of harvested production after adjustment for foreign material (and shell or sugar factor, if applicable) and before moisture and quality adjustment.
- b. Gross appraised production: Total appraised production before moisture and quality adjustment.
- c. Harvested production: Gross harvested production after adjustment for moisture and production not to count.
- d. Appraised production: Gross appraised production after adjustment for moisture.
- e. Net appraised production: Appraised production after adjustment for quality adjustment.

RMA requests each reinsured company to provide comments regarding the proposed additional data fields, whether such information is currently available in their database, and, if not, an impact assessment for collecting the information for the 2002 reinsurance year. Providing this data is not believed to require production worksheets to be changed.

Please send comments by June 1 to:

Mr. Dave Bell, Chief
Loss Adjustment and Standards Branch
Risk Management Agency
P.O. Box 419293, Stop 0812
Kansas City, Missouri 64141-6293

If you have any questions, please contact Mr. Bell at 816-926-2397 or Dave.Bell@rm.fcic.usda.gov.

DISPOSAL:

This informational memorandum does not change existing policy or procedure. The disposal date is December 31, 2001.

RMA/R&D/PCulver&DBell: 4/2/01:816.926.2397: Version 17:

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