

SUMMARY OF CHANGES FOR THE MACADAMIA TREE CROP PROVISIONS (16-0024)

(Released August 2015)

The following is a brief description of changes to the Macadamia Tree Crop Provisions that will be effective for the 2016 and succeeding crop years. Please refer to the Crop Provisions for more complete information.

- Section 11 – Revised paragraph (b) to clarify the steps needed to determine an indemnity, and revised paragraph (c) to clarify that any orchard with damage, destruction, or combined damage and destruction, that results in a total percent of loss greater than 80 percent due to an insured cause of loss will be considered to be 100 percent damaged and/or destroyed.

(Released July 2015)

The following is a brief description of changes to the Macadamia Tree Crop Provisions that will be effective for the 2016 and succeeding crop years. Please refer to the Crop Provisions for more complete information.

- Section 1 – Added definitions of “damaged” and “scaffold limb.”
- Section 2 – Revised to remove paragraph (a) which states sections 34(b)(1), (3) and (4) of the Basic Provisions are not applicable, to clarify optional units are allowed if acreage is grown and insured under an organic farming practice, and to remove the provision that requires an optional unit to contain at least 80 acres.
- Section 10 – Revised to require insureds to allow the insurance company to inspect the acreage before insureds remove any destroyed trees.
- Section 11 – Revised paragraph (b) to clarify the steps and calculations needed to determine an indemnity and to add a settlement of claim example.

UNITED STATES DEPARTMENT OF AGRICULTURE
Federal Crop Insurance Corporation
MACADAMIA TREE CROP PROVISIONS

**1. Definitions.**

Age - The number of complete 12-month periods that have elapsed since the month the trees were set out or were grafted, whichever is later. Age determination will be made for each unit, or portion thereof, as of January 1 of each crop year.

Crop year - A period beginning with the date insurance attaches to the macadamia tree crop extending through December 31 of the same calendar year. The crop year is designated by the calendar year in which insurance attaches.

Damaged - Injury to the main trunk, scaffold limb(s), and any other subordinate limbs that reduces the productivity of the macadamia tree due to an insured cause of loss that occurs during the insurance period.

Destroyed - Trees damaged to the extent that we determine replacement, including grafts, is required.

Good farming practices - The cultural practices generally in use in the county for the crop to have normal growth and vigor, and are those recognized by the Cooperative State Research, Education, and Extension Service as compatible with agronomic and weather conditions in the area.

Graft - The uniting of a macadamia shoot to an established macadamia tree rootstock for future production of macadamia nuts.

Interplanted - Acreage on which two or more crops are planted in any form of alternating or mixed pattern.

Irrigated practice - A method by which the normal growth and vigor of the insured trees is maintained by artificially applying adequate quantities of water during the growing season by appropriate systems and at the proper times.

Rootstock - The root and stem portion of a macadamia tree to which a macadamia shoot can be grafted.

Scaffold limb - A major limb attached directly to the trunk.

2. Unit Division.

(a) Provisions in the Basic Provisions that allow optional units by section, section equivalent, or FSA farm serial number and by irrigated and non-irrigated practices are not applicable. Optional units may be established only if each optional unit is located on non-contiguous land or grown and insured under an organic farming practice, unless otherwise allowed by written agreement.

(b) You must have provided records, which can be independently verified, of acreage and age of trees for each unit for at least the last crop year.

3. Insurance Guarantees, Coverage Levels, and Dollar Amounts for Determining Indemnities.

(a) In addition to the requirements of section 3 of the Basic Provisions:

- (1) You may select only one dollar amount of insurance for all the macadamia trees in the county in each age group contained in the actuarial documents that are insured under this policy. The dollar amount of insurance you choose for each age group must have the same percentage relationship to the maximum dollar amount offered by us for each age group. For example, if you choose 100 percent of the maximum dollar amount of insurance for one age group, you must also choose 100 percent of the maximum dollar amount of insurance for all other age groups.
- (2) If the stand is less than 90 percent, based on the original planting pattern, the dollar amount of insurance will be reduced 1 percent for each percent below 90 percent. For example, if the dollar amount of insurance you selected is \$2,000 and the stand is 85 percent of the original stand, the dollar amount of insurance on which any indemnity will be based is \$1,900 (\$2,000 multiplied by 0.95).
- (3) You must report, by the sales closing date contained in the Special Provisions, by type if applicable:
 - (i) Any damage, removal of trees, change in practices, or any other circumstance that may reduce the dollar amount of insurance and the number of affected acres;
 - (ii) The number of trees on insurable and uninsurable acreage;
 - (iii) The month and year on which the trees were set out or grafted and the planting pattern;
 - (iv) For the first year of insurance following replacement, the month and year of replacement if more than 10 percent of the trees on any unit have been replaced in the previous five crop years; and
 - (v) For the first year of insurance for acreage interplanted with another perennial crop, and any time the planting pattern of such acreage is changed:
 - (A) The age of the interplanted crop, and type if applicable;
 - (B) The planting pattern; and
 - (C) Any other information that we request in order to establish your dollar amount of insurance.

We will reduce the dollar amount of insurance as necessary, based on our estimate of the effect of interplanted perennial crop, removal of trees, damage, change in practices, and any other circumstance that adversely affects the

insured crop. If you fail to notify us of any circumstance that may reduce your dollar amount of insurance from previous levels, we will reduce your dollar amount of insurance as necessary at any time we become aware of the circumstance.

- (b) The production reporting requirements contained in section 3 of the Basic Provisions, do not apply to macadamia trees.

4. Contract Changes.

In accordance with section 4 of the Basic Provisions, the contract change date is August 31 preceding the cancellation date.

5. Cancellation and Termination Dates.

In accordance with section 2 of the Basic Provisions, the cancellation and termination dates are December 31.

6. Insured Crop.

In accordance with section 8 of the Basic Provisions, the crop insured will be all macadamia trees in the county for which a premium rate is provided by the actuarial documents:

- (a) In which you have a share;
- (b) That are grown for the production of macadamia nuts;
- (c) For which the rootstock is adapted to the area;
- (d) That are at least one year of age when the insurance period begins; and
- (e) That, if the orchard is inspected, is considered acceptable by us.

7. Insurable Acreage.

In lieu of the provisions in section 9 of the Basic Provisions that prohibit insurance attaching to a crop planted with another crop, macadamia trees interplanted with another perennial crop are insurable unless we inspect the acreage and determine that it does not meet the requirements contained in your policy.

8. Insurance Period.

- (a) In accordance with the provisions of section 11 of the Basic Provisions:

- (1) Coverage begins on January 1 of each crop year, except that for the year of application, if your application is received after December 22 but prior to January 1, insurance will attach on the 10th day after your properly completed application is received in our local office, unless we inspect the acreage during the 10-day period and determine that it does not meet insurability requirements. You must provide any information that we require for the crop or to determine the condition of the orchard.
- (2) The calendar date for the end of the insurance period for each crop year is December 31.

- (b) In addition to the provisions of section 11 of the Basic Provisions:

- (1) If you acquire an insurable share in any insurable acreage after coverage begins but on or before the acreage reporting date for the

crop year, and after an inspection we consider the acreage acceptable, insurance will be considered to have attached to such acreage on the calendar date for the beginning of the insurance period.

- (2) If you relinquish your insurable share on any insurable acreage of macadamia trees on or before the acreage reporting date for the crop year, insurance will not be considered to have attached to, and no premium or indemnity will be due for such acreage for that crop year unless:

- (i) A transfer of coverage and right to an indemnity, or a similar form approved by us, is completed by all affected parties;
- (ii) We are notified by you or the transferee in writing of such transfer on or before the acreage reporting date; and
- (iii) The transferee is eligible for crop insurance.

9. Causes of Loss.

- (a) In accordance with the provisions of section 12 of the Basic Provisions, insurance is provided only against the following causes of loss that occur during the insurance period:

- (1) Adverse weather conditions;
- (2) Fire, unless weeds and other forms of undergrowth have not been controlled or pruning debris has not been removed from the orchard;
- (3) Earthquake;
- (4) Volcanic eruption;
- (5) Wildlife, unless proper measures to control wildlife have not been taken; or
- (6) Failure of irrigation water supply, if caused by an insured cause of loss that occurs during the insurance period.

- (b) In addition to the causes of loss excluded in section 12 of the Basic Provisions, we will not insure against damage due to disease or insect infestation, unless adverse weather:

- (1) Prevents the proper application of control measures or causes properly applied control measures to be ineffective; or
- (2) Causes disease or insect infestation for which no effective control mechanism is available.

10. Duties in the Event of Damage or Loss.

In addition to the requirements of section 14 of the Basic Provisions, in case of damage or probable loss, if you intend to claim an indemnity on any unit, you must allow us to inspect all insured acreage before pruning any damaged trees, removing any damaged trees, or removing any destroyed trees.

11. Settlement of Claim.

- (a) We will determine your loss on a unit basis.
- (b) In the event of loss or damage covered by this policy, we will settle your claim by:

- (1) Multiplying the insured acreage by the dollar amount of insurance per acre for each age group;
- (2) Totaling the results in section 11(b)(1);
- (3) Determine the applicable percent of loss, which is calculated as follows:
 - (i) Subtract the coverage level percent you elected from 100 percent;
 - (ii) Determine the actual percent of loss, which is determined as follows:
 - (A) For destroyed trees, divide the number of trees destroyed by the total number of trees and multiply by 100 to calculate the percent of loss;
 - (B) For damaged trees:
 - (1) Divide the number of trees damaged by the total number of trees (both damaged and undamaged) to calculate the amount of damage;
 - (2) Divide the number of damaged scaffold limbs by the total number of scaffold limbs on each damaged tree to calculate the amount of damage for each damaged tree;
 - (3) Total the results in (b)(3)(ii)(B)(2);
 - (4) Divide the result of (b)(3)(ii)(B)(3) by the number of damaged trees;
 - (5) Multiply the result of (b)(3)(ii)(B)(1) by the result of (b)(3)(ii)(B)(4), then multiply that result by 100 to calculate the percent of loss; and
 - (C) Add the results of sections 11(b)(3)(ii)(A) and (B).
 - (iii) Subtract the result obtained in section 11(b)(3)(i) from section 11(b)(3)(ii);
 - (iv) Divide the result in section 11(b)(3)(iii) by the coverage level you elected (For example, if you elected the 75 percent coverage level and your actual percent of loss was 70 percent, the percent of loss specified in section 11(b)(3) would be calculated as follows: $100\% - 75\% = 25\%$; $70\% - 25\% = 45\%$; $45\% \div 75\% = 60\%$.);
- (4) Multiply the result of section 11(b)(3) by the total dollar amount of insurance obtained in section 11(b)(2); and
- (5) Multiply the result in section 11(b)(4) by your share.

For example:

You select 65 percent coverage level and 100 percent of the price election on 10 acres of 9-year-old macadamia trees in the unit. Your share is 100 percent. The amount of insurance per acre is \$5,850. There are 90 trees per unit. Thirty-five trees are destroyed. Your indemnity would be calculated as follows:

- (1) $10 \text{ acres} \times \$5,850 = \$58,500$;

- (3) (i) $100 \text{ percent} - 65 \text{ percent} = 35 \text{ percent deductible}$;
- (ii) $35 \text{ destroyed trees} \div 90 \text{ total unit trees} = 38.9 \text{ percent loss}$;
- (iii) $38.9 \text{ percent loss} - 35 \text{ percent deductible} = 3.9 \text{ percent}$;
- (iv) $3.9 \text{ percent} \div 65 \text{ percent coverage level} = 6.0 \text{ percent loss}$;
- (4) $\$58,500 \text{ total amount of insurance} \times 6.0 \text{ percent loss} = \$3,510 \text{ loss}$; and
- (5) $\$3,510 \text{ loss} \times 100 \text{ percent share} = \$3,510 \text{ indemnity payment}$.
- (c) The total amount of loss will include both damaged trees and destroyed trees as follows:
 - (1) Any orchard with damage, destruction, or combined damage and destruction, that results in a total percent of loss greater than 80 percent due to an insured cause of loss will be considered to be 100 percent damaged and/or destroyed; and
 - (2) Any percent of damage by uninsured causes will not be included in the percent of loss.

12. Late and Prevented Planting.

The late and prevented planting provisions of the Basic Provisions are not applicable.