

## **MGR-16-002**

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Date

June 2, 2016

To

All Approved Insurance Providers

All Risk Management Agency Field Offices

All Other Interested Parties

From

Brandon C. Willis, Administrator

Subject

Documentation to Support Nursery Plant Inventory Value Report (PIVR) and Claims for Indemnity

### **Background**

The Risk Management Agency (RMA) issued Manager's Bulletin MGR-08-003 on February 23, 2008 as a result of the United States Department of Agriculture Office of the Inspector General for Audit (OIG) titled, "2005 Emergency Hurricane Relief Efforts in Florida". The audit identified instances that involved significant liability amounts where producers did not have or provide inventory records to support their PIVR. The PIVR, inventory records and sales records establish the amount of insurance available to a producer as required under the Nursery Crop Policy, the Peak Inventory Value Endorsement and the Nursery Growers Price Endorsement. Correct determination of the amount of insurance is key to the proper determination of indemnity in a loss event. The OIG audit demonstrated that approved insurance provider (AIP) loss adjusters and quality review staff failed to properly require supporting documentation of sales and inventory. The PIVR must be supported by acceptable records and that such records must be maintained in accordance with section 21 of the Basic Provisions.

The Nursery Crop Insurance Provisions, 7 CFR 457.162, state:

## Section 6. PIVR.

(b) You must submit a PIVR for each insured practice, as applicable, and two copies of your most recent wholesale catalogs or price lists in accordance with subsection (k) to us with your application and on or before the sales closing date for each crop year following the year of application.

\* \* \*

(c) The PIVR must include, by basic unit, all growing locations, basic unit value, coverage level selected, as applicable, and your share.

\* \* \*

(2) At our option, you will be required to provide documentation in support of your PIVR, including, but not limited to, a detailed plant inventory listing that includes the name, the number, and the size of each plant; acceptable records of sales and purchases of plants for the three previous crop years in the amount of detail we require; and your ability to properly obtain and maintain nursery stock. Acceptable records must contain the name and telephone number of the purchaser or seller, as applicable, names of the plants, the number of each plant sold or purchased, and the sale price for each plant.

\* \* \*

(e) Your PIVR must reflect your insurable nursery plant inventory value by basic unit.

(1) The price for each plant and size listed on your PIVR will be the lower of the Plant Price Schedule (PPS) price or the lowest wholesale price in your nursery catalog or price list submitted in accordance with section 6(k).

(2) In no instance will we be liable for plant values greater than those contained in the Plant Price Schedule.

AIPs must ensure that PIVRs are correctly determined and properly supported by a physical inventory and other appropriate documentation.

Under the Peak Inventory Endorsement, producers who elect an additional level of coverage are eligible to submit a Peak Inventory Value Report as the application for coverage for Peak Inventory Endorsement.

Nursery Crop Provisions Peak Inventory Endorsement states:

## Section 1. Definitions.

Peak Inventory Value Report - A report that increases the value of insurable plants over the value reported on the PIVR, declares the coverage commencement and coverage termination dates, and the other requirements of section 6 of the Nursery Crop Insurance Provisions.

## Section 3. Coverage.

(a) The amount of insurance provided under the Nursery Crop Provisions for each basic unit is increased by the peak amount of insurance for such unit for the coverage term.

\* \* \*

## Section 6. Reporting requirements.

In addition to the reporting requirements of section 6 of the Nursery Crop Insurance Provisions, you must submit a Peak Inventory Value Report on our form.

AIPs must ensure that Peak Endorsements are properly supported by a physical inventory.

Under the Pilot Nursery Grower's Price Endorsement (NGPE), producers who can document they have actual sales records supporting the sale of plants at prices higher than those offered on the Eligible Plant List and Plant Price Schedule (EPL/PPS) may be insured at the higher prices.

Section 2(b)(6) of the NGPE states:

## 2. Eligibility

...

(b) To be eligible for coverage under this endorsement, you must:

...

(6) Provide all verifiable wholesale sales records for the most recent year of sales for each upgraded plant, in accordance with section 3, at the time of:

(A) Application for any upgraded plant and size that has an upgraded plant price that is at least 50 percent higher than the plant price schedule price for the same plant; or

(B) Loss adjustment for insurable damage on any upgraded plant.

## **Action**

RMA is re-issuing the contents of MGR-08-003 herein, and to advise that RMA will annually spot check compliance with approved Nursery policy provisions and associated procedures.

AIPs must ensure compliance with the terms of the Nursery Crop Insurance Provisions and Endorsements to establish premiums, liabilities and indemnities, as applicable.

In accordance with paragraph 16 of the Nursery Underwriting Guide, AIPs must obtain and inspect the records to support the PIVR, revised PIVR, Peak Inventory Value Report, and the NGPE, if applicable, and determine whether the records are acceptable before completing any claim for indemnity. AIPs and their agents must ensure that producers are reminded of the record retention requirements and that failure of the producer to provide the documents supporting the PIVR, revised PIVR, Peak Inventory Value Report, and the NGPE, when requested at any time during the record retention period, will result in a determination that no indemnity is due as provided in section 21(f) of the Basic Provisions. This includes requests for such documents in the event of an AIP internal quality control review, RMA or other government agency audits of claims, the AIP's mandatory review of any claims greater than \$200,000, and RMA's Large Claim Reviews.

AIPs should assist producers using RMA's Crop Inventory Valuation Report (Nursery Inventory Software), or succeeding software to develop PIVRs using a current physical plant inventory. In all cases where the Nursery Inventory Software is not used to develop the PIVR, AIPs must review the supporting physical plant inventory and price documentation used by the producer to verify that the PIVR, revised PIVR, and/or Peak Inventory Value Report, and NGPE are properly supported.

Documentation to support the PIVR and the Peak Inventory Value Report includes, but is not limited to:

- A detailed plant inventory listing that includes the name, number, and size of each plant;
- Acceptable records of sales and purchases of plants for the crop year. Producers may be asked to provide acceptable records of plant purchases and sales for the three previous crop years; and
- Evidence of the producer's ability to properly obtain and maintain nursery stock.

Acceptable records must contain the name and telephone number of the purchaser or seller, as applicable, names of the plants, the number of each plant sold or purchased, and the sales price for each plant.

AIPs must also require producers to provide acceptable, verifiable wholesale sales records by the sales closing date, if the plants are priced at least 50 percent higher than the EPL/PPS for the same plant in accordance with the NGPE.

**DISPOSAL DATE:**

This Manager's Bulletin reminds AIPs of existing policy regulations and procedures and appropriate verification responsibilities.