

## **MGR-17-014**

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Date

September 22, 2017

To

All Approved Insurance Providers

All Risk Management Agency Field Offices

All Other Interested Parties

From

Heather Manzano, Acting Administrator /s/ Heather Manzano

Subject

Emergency Procedures for Crops Damaged by Hurricane Irma

### **Background**

Hurricane Irma has caused catastrophic damage in many counties in Alabama, Florida, Georgia, and South Carolina. The Risk Management Agency (RMA), in conjunction with Approved Insurance Providers (AIPs), recognizes the need for authorizing emergency procedures that will streamline determinations on specific crops to accelerate the adjustment of losses and issuance of indemnity payments to crop insurance policyholders in impacted areas.

Many residents in impacted areas have been evacuated from their homes and some have lost their primary residences due to storm damage. The local infrastructure for normal day-to-day activities has and will continue to be disrupted for some time as recovery progresses. Due to the destruction of communication lines and the limited ability to travel in the impacted areas, many policyholders are unable to communicate with their agents to report losses within the 72-hour requirement specified in the Common Crop Insurance Policy, Basic Provisions (17-BR). Many policyholders also may be unable to timely respond to premium billing and payment for Federally-Reinsured Policies. Section 24 of 17-BR and the Special Provisions state that interest will accrue starting the first day of the month, following issuance of the

notice of premium due by the AIP, provided that a minimum of 30 days have passed from the premium billing date.

## **Action**

RMA authorizes the use of these emergency procedures to all counties in Alabama, Florida, Georgia, and South Carolina.

Application of these emergency procedures is limited to those situations where the catastrophic nature of the losses due to insured perils is such that not authorizing these emergency procedures would result in unnecessary delays in administering the crop insurance program.

RMA is authorizing the following emergency procedures for AIPs to utilize, on a case-by-case basis, to assist impacted policyholders and increase the efficiency of making loss determinations:

(1) In lieu of requirements to report damage within 72 hours, RMA authorizes AIPs to consider individual circumstances in accepting delayed notices of loss in accordance with the Loss Adjustment Manual (LAM) Standards Handbook (FCIC-25010). Delayed notices of loss or delayed claims because of the hurricane do not require completion of the special report required by the LAM. Document such in the narrative of the production worksheet.

(2) For all claims utilizing these emergency loss adjustment procedures, AIPs must:

(a) Submit all information through the Policy Acceptance and Storage System (PASS) for Appendix III to the Standard Reinsurance Agreement (SRA) record type P-21 with a simplified claim flag of "F;" and

(b) Document in each claim folder that these emergency loss adjustment procedures were applied. Record in the narrative of the claim: "Emergency Loss Adjustment procedures applied per MGR-17-014."

(3) AIPs may use reported acres certified on the acreage report as determined acres for claim purposes, unless:

(a) Acceptable measured acres as defined in the LAM are readily available (e.g., acreage measured during a previous inspection, precision farming records available, etc.); or

(b) The loss adjuster is able to make a visual observation at the time of loss adjustment and it is determined the reported acres certified on the acreage report appear unreasonable. In this case, the acreage must be determined according to LAM procedures. If the loss adjuster is unable to make a visual observation at the time of loss adjustment and the acreage seems excessive compared to historically-reported acreage, then use the acreage from past crop insurance measurements, precision farming records, previous acreage reports, Farm Service Agency (FSA) acreage reports, crop insurance claims, etc., to determine the acreage for the claim.

**Note:** Current FCIC-issued loss adjustment procedures do not require the use of FSA documents, such as aerial photos, FSA-578, etc., to verify crop acreage or share.

(4) For crops (other than Nursery, Florida Fruit Tree, & Pecan Tree) destroyed or damaged to the extent they will never be harvested (e.g., unable to mechanically harvest):

(a) On the entire unit:

(i) Complete the production worksheets, reflecting zero production to count; and

(ii) An appraisal worksheet is not required.

(b) On part of the unit, field, or subfield:

(i) Estimate the acreage in the field or subfield based on the certified acreage from the acreage report (refer to (3) above);

(ii) Complete the production worksheets, reflecting zero production to count for the destroyed/unharvestable field; and

(iii) An appraisal worksheet is not required on the destroyed/unharvestable acreage.

(5) For crops not destroyed on the unit or part of the unit:

(a) A minimum number of three representative samples per unit are required without regard to the size of acreage if the damage is consistent. If there are

more than three fields or subfields within the unit, and the damage is consistent, only one representative sample per field or subfield is required. AIPs must notate as such in the narrative of the production worksheet.

(b) Estimate the acreage in the field(s) or subfield(s) based on the certified acreage from the acreage report (refer to (3) above).

(c) Record the harvested or appraised production on the applicable appraisal or production worksheet.

(6) When written consent is required per the Crop Provisions, AIPs may provide verbal consent to policyholders before they move, destroy, sell, or otherwise dispose of damaged crops, plants, or plant material, so that they may care for the remainder of their crop. The AIP may provide verbal consent and follow-up such consent in writing if:

(a) The policyholder provides or the AIP obtains sufficient photographic documentation of the specific crop, plant, or plant material in context to surroundings, to demonstrate the necessity to move or dispose of the material;

(b) The policyholder maintains an inventory of all such damaged crops, plants, and plant material by age, stage, commodity, size, type and practice, as applicable to the crop that was moved, destroyed, sold, or otherwise disposed of; and

(c) The AIP returns to complete the appraisal and other claim activities and obtains a signed certification form (LAM, Par. 831) from the policyholder for damaged crops, plants, and plant material that was moved, destroyed, sold, or otherwise disposed of.

(7) For Florida Citrus Fruit:

(a) Due to the amount of immature fruit on the ground, it may not be practical to adjust citrus fruit losses using the ground count method; therefore, AIPs may utilize the hurricane procedures (Par. 22B(3)) contained in the Florida Citrus Fruit Loss Adjustment Standards Handbook (LASH), FCIC-25140.

(b) AIPs that use the hurricane procedures in (a) above to make loss determinations, must use verifiable records from at least the three previous crop years to determine the average yield (potential production).

EXCEPTION: Only in situations where verifiable records (harvest records, claim records, etc.) from at least the three previous years are not available, AIPs can contact the Valdosta Regional Office (RO) at [rsoga@rma.usda.gov](mailto:rsoga@rma.usda.gov) for an average yield-based NASS value for the citrus commodity and age of the tree. AIPs must verify and document that they are not able to fulfill the certification of verifiable records requirement prior to contacting the Valdosta RO with this request.

(c) The Florida Citrus Fruit Crop Provisions (14-0026), Section 10(e) states:

*“for citrus fruit insured as fresh, unless otherwise provided in the Special Provisions, any individual citrus fruit not meeting the applicable United States Standards for packing as fresh fruit due to an insured cause of loss will be considered 100 percent damaged, except that the percent of damage for any production sold for an alternative use will be adjusted in accordance with section 10(d).”*

(i) The appraisal method entitled “Fresh-fruit Hail-scar Damage Method” will be used for fresh market citrus commodities that suffered hurricane or tropical storm wind scar damage if the insured does not harvest (refer to Par. 22E of the Florida Citrus Fruit LASH).

(ii) If the policyholder harvests the crop as fresh fruit, packing records may be used in lieu of the hail-scar appraisal method to determine production to count.

(iii) If fruit insured as fresh is marketed for juice (including culls from packing the house), adjust the sold production in accordance with section 10(d) of the Florida Citrus Fruit Crop Provisions.

(d) For any harvested citrus crop grown and insured for juice production, for harvested fruit processor records may be used in lieu of fruit on-tree appraisals for determinations of percent damage.

(e) When the loss adjuster (based on visual observations) determines consistent damage, the minimum number of representative samples of trees for determining fruit-on-trees is shown on the following table:

<b>Number of Acres</b>	<b>Select</b>
10.0 or Less	The lesser of 5 trees or 5% of the number of trees in the orchard (rounded to the nearest whole tree)
10.1 to 100.0	5 trees for the first 10 acres, plus 1 tree per additional 10.0 acres
100.1 or more	14 trees for the first 100 acres, plus 1 tree per additional 100.0 acres

(8) To expedite Florida Fruit Tree (FFT) loss adjustment, the following guidelines are approved to establish a deviation in the appraisal procedure as outlined in Paragraph 26 of the FFT LASH (FCIC-25570). For appraisal deviation purposes, loss adjusters working with policyholders, may designate blocks of damaged, undamaged, and destroyed trees. The following actions are authorized for FFT loss adjustment:

(a) Trees reported and certified on the acreage report prior to the date of loss may be used as the actual number of trees for claim purposes unless:

(i) An alternate, acceptable measure of the number of trees is readily available (e.g., number of trees determined during a previous inspection, insured provides a tree inventory record, etc.); or

(ii) It is determined (based on visual observation at loss adjustment time) that the reported number of trees appears to be unreasonable, in which case, the number of trees must be determined according to LASH procedure.

(b) Blocks of damaged trees require an appraisal worksheet as specified in the LASH.

(c) Blocks of undamaged trees do not require an appraisal worksheet, but must be accounted for on the production worksheet as outlined in item (8)(e) below.

(d) Blocks of trees destroyed with no remaining value do not require an appraisal worksheet.

(e) With the signed consent of the policyholder, loss adjusters may show blocks that are undamaged as a separate line item on the production worksheet.

(f) The LASH instructs AIPs to account for the total number of trees in all stage-blocks present in the unit, to calculate the unit value for all claims and the unit

deductible for non-occurrence loss option claims. In addition to the instructions for completing Section I of the production worksheet, authority is granted to modify the instructions to add: “c. Undamaged trees in the unit” to allow undamaged trees to be accounted for on the production worksheet and to add “d. trees totally destroyed.” Section I of the Production Worksheet should be completed following the instructions in the Handbook with the following exceptions:

(i) Item A: Field ID: The grove identification symbol for the block of undamaged trees;

(ii) Item C: Enter the number of undamaged trees in the agreed upon block of trees; and

(iii) Item L: Shell and/or Quality Factor: Enter “1.00” if there is no damage to the block. Enter “0.00” if the block is destroyed.

(9) For Nursery: In order to timely and accurately adjust nursery claims in all counties affected by Hurricane Irma, the following emergency procedures are approved for determining Field Market Value A (FMV-A) when the reported inventory values appear to be reasonable based AIP inspection of the damaged Nursery crops. In the event the reported values do not appear to be reasonable, the AIP will not follow the procedures below and will complete a thorough inventory count of the Nursery to establish the correct FMV-A.

(a) The Crop Inventory Value Report (CIVR) / Plant Inventory Value Report (PIVR) that was accepted for coverage, or the most recent revised and accepted CIVR/PIVR, may be used to establish the beginning inventory.

(b) Obtain all records for plants sold, purchased, or propagated from the date of the applicable CIVR/PIVR up to the date of damage. Records must meet the requirements in Par. 20(C)(3)(b) of the 2015 Nursery Crop Insurance Underwriting Guide (FCIC-24090) to be considered acceptable.

EXCEPTION: If an electronic inventory system including, daily inventory software, is utilized by the nursery that tracks inventory (including inventory that has been purchased, propagated, and sold) between the date the CIVR/PIVR was submitted and the date of damage, information from this system may be considered acceptable records.

(c) The records will be used to determine the inventory prior to the hurricane event in order to calculate FMV-A and Field Market Value B (FMV-B).

(i) Sold plants will not be included in the determination of FMV-A or FMV-B.

(ii) Purchased and propagated plants will be included in the determination of FMV-A or FMV-B.

(d) Calculate under-report or over-report factors, if applicable.

(10) AIPs are authorized to provide additional time for policyholders impacted by Hurricane Irma to make payment of premium and administrative fees. Interest accrual on premium payments and administrative fees, as noted above, will be waived until the applicable termination date on policies with premium billing dates between August 1, 2017 and October 1, 2017. AIPs will begin to accrue interest as of the termination date for unpaid premium and administrative fees. All terms of ineligibility, including pre-termination notice, shall be followed.

(11) RMA will defer collection of premium and waive all associated interest from AIPs accordingly.

(12) AIPs are authorized to provide additional time for policyholders to make payment for Written Payment Agreements due between September 1, 2017, and November 1, 2017. Payments may be extended to the earlier of 60 days after the normally scheduled payment due date or the scheduled December payment due date and considered a timely payment for those due dates falling between September 1, 2017 and November 1, 2017. Such extension of time will not be considered a modification of the Written Payment Agreement and the AIP may waive any additional interest for the payment during this time period.

(13) RMA will monitor claims over \$200,000 and if the level of claims in excess of \$200,000 rises above 5% of all claims within the state, RMA will provide relief on the \$200,000 review requirement found in Appendix IV of the SRA.

RMA, working with AIPs, will issue additional emergency procedures as deemed necessary.

**DISPOSAL DATE:**

December 31, 2017