

## **IS-12-006**

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Date

October 22, 2012

To

All Approved Insurance Providers

All Risk Management Agency Field Offices

All Other Interested Parties

From

Michael A. Alston, Deputy Administrator for Insurance Services

Subject

IS-12-006

The Risk Management Agency has identified situations where plant prices listed on sales receipts are substantially lower than plant prices listed in the policyholder's nursery

catalog or price list. According to section 6(e)(1) of the Nursery Crop Insurance Provisions, the insurable price for each plant is the lower of the Plant Price Schedule price or the lowest wholesale price in the policyholder's nursery catalog or price list submitted in accordance with section 6(k).

### 6. PIVR

...

(k)

At a minimum, your wholesale catalog or price list must:

- (1) Be type-written and legible;
- (2) Show an issue date on the cover page (may be handwritten);
- (3) Contain the name, address, and phone number of your nursery;
- (4) Be provided to customers and used in the sale of your plants; and
- (5) List each plant's name (scientific or common), plant or container size, and

wholesale price.

Additionally, the Plant Inventory Valuation Report contains a statement that says the following: "I submit this report and two copies of the most recent wholesale catalog(s) or price list(s) for my nursery pursuant to the requirements of the Nursery Crop Provisions, and certify that they correctly represent the wholesale prices at which my plants have been offered for sale."

Each policyholder signs the PIVR, thereby certifying that the prices listed in the wholesale catalog or price list correctly represent the wholesale prices at which the plants have been offered for sale.

Approved Insurance Providers (AIPs) and their affiliates are reminded of the following and should also remind nursery policyholders about item #1 below:

1. Inflating wholesale catalog or price list prices for insurance purposes is considered misrepresentation and those policyholders responsible are subject to the penalties contained in section 27 of the Common Crop Insurance Policy Basic Provisions (7 CFR 457.8).
2. In accordance with section 7 B(3) of the Nursery Underwriting Guide, AIPs must review the nursery catalogs or price lists, reject those that do not meet the policy criteria, and notify the policyholder in writing the reason for rejection by providing a copy of the completed and signed Nursery Catalog/Price List Checklist explaining the deficiencies and reason for nursery catalog or price list rejection; and
3. AIPs are responsible for the conduct and performance of their personnel and affiliates with respect to the obligations imposed by the Standard Reinsurance Agreement (SRA) and FCIC procedures. Failure to comply with the FCIC procedures listed in number 1 above will result in penalties outlined in section 4(h) of the SRA.