



# Risk Management Agency

# Pecan Tree

**FACT SHEET**  
January 2022

## Crop Insured

Pecan trees are insurable in Alabama, Arkansas, Florida, Georgia, Kansas, Louisiana, Mississippi, Missouri, New Mexico, Oklahoma, South Carolina, and Texas. For pecan trees to be insured, at a minimum they must be adapted to the area, grown in a commercial orchard for the purpose of producing pecans intended to be sold for human consumption, and have the potential to produce a yield typical of a healthy tree. A minimum number of acres in an orchard is required for insurability and is specified in the Special Provisions of your insurance policy.

## Causes of Loss

- Wind (e.g., tornado, tropical storm, hurricane);
- Freeze damage;
- Freezing rain (ice damage);
- Drought resulting in dying or death of trees if allowed by the Special Provisions;
- Flood;
- Fire; and
- Failure of the irrigation water supply if due to another insurable cause of loss or salt in water supply.

## Insurance Period

You must apply for coverage with a crop insurance agent on or before May 15. Coverage begins on July 1 of each crop year and continues through June 30 of the following calendar year. The year you apply, your approved insurance provider will inspect your pecan trees and will notify you if any or all of your pecan trees are uninsurable no later than July 1 following the May 15 sales closing date. Following the initial year of application, coverage will automatically renew for the subsequent crop year unless you cancel coverage by the June 30 cancellation date.

## Important Dates

Sales Closing.....	May 15
Acreage Report Due.....	May 15
Cancellation.....	June 30



## Insurance Guarantees, Coverage Levels, and Premium Subsidies

Your amount of insurance is based on the tree reference price applicable to each different stage of your insurable trees for each type.

Trees are also grouped into types and stages to establish the tree reference price used to determine your insurance coverage. The types vary by state. There are three different stages a tree can fall under based on its trunk diameter. If at least 75 percent of the trees in a block fall within the same stage, the entire block may be considered the same stage.

If the trees are pruned or dehorned, the stages may be reduced in accordance with the Crop Provisions.

The guarantee for each insured type is based on the tree reference price, multiplied by the number of trees in each stage, multiplied by the price election percentage you elect for each type. These results are totaled for each stage and multiplied by the coverage level.



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You will select one coverage level, ranging from 50-75 percent and one percentage of price election up to 100 percent of the tree reference price for each type insured in the county. Higher coverage levels are subsidized at lower rates and the premium subsidy is at least 55 percent of the premium. Premium and administrative fees are due annually.

### Insurance Units

**Enterprise Units** - Are generally, all insured crop acreage in a county. Acreage must meet minimum qualifications. Premium discounts apply.

**Basic Units** - Include all of your insurable pecan acreage in the county by share arrangement. Premium discounts apply.

**Optional Units** - May be elected if minimum qualifications are met. You may qualify for optional units if you have pecan groves on two or more parcels of noncontiguous land or you have pecan groves on contiguous land separated by the minimum distance specified in the Special Provisions. Premium discounts do not apply.

### Settlement of Claims

Indemnities under the base policy are payable on a unit when the damage value for trees damaged due to an insurable cause of loss exceeds the unit deductible. The damage value is determined by multiplying the percent of damage by the number of damaged trees for the stage, and by the applicable tree reference price. These results are summed for each stage of the trees within the unit. See the Crop Provisions for separate percent of damage determinations for damaged trees that are destroyed, reset, or partially damaged.

### Optional Coverage

There are two forms of optional coverage that are available to purchase in conjunction with your pecan tree policy. Both require you to elect a coverage level above the CAT level (50 percent coverage level at 55 percent of the price election) and both are available in exchange for an additional premium.

If you elect the Occurrence Loss Option (OLO), your guarantee will be calculated the same as it would otherwise be calculated under the base policy. However, the OLO allows indemnities to be paid on smaller losses if a minimum of loss (10 percent) is exceeded.

If you elect the Comprehensive Tree Value Endorsement (CTVE), an additional amount of insurance will be calculated to provide coverage against a future production shortfall, resulting when trees are fully damaged or destroyed. The CTVE guarantee is calculated using a value published in the actuarial documents, or you may elect to use your own actual sales records. The CTVE is only available for trees greater than six inches in diameter. Upon approval of a claim, you will be paid 50 percent of the indemnity due under the CTVE, and the remainder of your indemnity will be paid upon verification that you have replanted trees.

### Loss Example

Assume you have chosen a 75 percent coverage level. You have not elected the OLO or CTVE. You have 100 percent share in 3,000 stage 3 pecan trees in the unit. The tree reference price for stage 3 pecan trees is \$290 and you elect 100 percent of the price. The unit deductible is \$217,500 (3,000 stage 3 trees x \$290 per tree x .25). Due to an insured cause of loss, 1,000 trees are destroyed.

The damage value is \$290,000 (1,000 trees x 100% damage x \$290 per tree). The indemnity for the unit is calculated as follows:

$$\begin{array}{r}
 \$290,000 \text{ Damage Value} \\
 - \$217,500 \text{ Unit Deductible} \\
 \hline
 \$ 72,500 \text{ Indemnity}
 \end{array}$$

### Where to Buy Crop Insurance

All multi-peril crop insurance, including CAT policies, are available from private crop insurance agents. A list of crop insurance agents is available at all USDA service centers and on the RMA website at <https://www.rma.usda.gov/en/Information-Tools/Agent-Locator-Page>.

This fact sheet gives only a general overview of the crop insurance program and is not a complete policy. For further information and an evaluation of our risk management needs, contact a crop insurance agent.