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Product Design  
Division

FCIC 24180

# APH SESAME (PILOT) CROP INSURANCE STANDARDS HANDBOOK

## 2015 and Succeeding Crop Years

**UNITED STATES DEPARTMENT OF AGRICULTURE  
WASHINGTON, D.C. 20250**

<b>TITLE: APH Sesame Pilot Crop Insurance Standards Handbook</b>	<b>NUMBER: 24180</b>
<b>EFFECTIVE DATE: 2015 and succeeding crop years</b>	<b>ISSUE DATE: 11-21-2014</b>
<b>SUBJECT:</b>  <b>Provides the insurance standards for administering the APH Sesame (Pilot) Program</b>	<b>OPI: Actuarial and Product Design Division</b>
	<b>APPROVED:</b>  <i>/s/ Tim B Witt</i> <b>Deputy Administrator for Product Management</b>

**REASON FOR INSUANCE**

This handbook provides the official FCIC-approved 2015 and succeeding crop years' underwriting and administration standards for the Sesame Pilot Program. All approved insurance providers electing to offer the Sesame Pilot Program must utilize these standards.

**SUMMARY OF CHANGES**

The following is a brief description of the changes to the APH Sesame Insurance Standards Handbook that will be effective for the 2015 crop year.

Major changes to the APH Sesame Insurance Handbook have been highlighted.

Page 3	Part 22	Updated language related to Insurability
Page 4	Part 32	Updated references to CIH

**SESAME PILOT PROGRAM  
UNDERWRITING GUIDE**

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## Part 1 General Information and Responsibilities

### 1 General Information

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#### A. Purpose

This handbook provides procedure for administering the Sesame Pilot Program according to the Sesame Pilot Crop Provisions, and supplements the CIH, LAM and Sesame Pilot LASH via exceptions, changes, and additions.

**If there is a conflict between this handbook and the CIH, LAM or Sesame Pilot LASH, this handbook controls.**

#### B. Source of Authority

The Food, Conservation and Energy Act of 2008 require the Risk Management Agency to develop a pilot program for sesame. 7 U.S.C. 1523(g) requires that FCIC “. . . shall establish and carry out a pilot program under which a producer of non-dehiscent sesame under contract may elect to obtain multi-peril crop insurance, as determined by the Corporation.”

#### C. Duration

The Sesame Pilot Program is available beginning with the 2011 crop year and is authorized until terminated or converted to a permanent program by the FCIC Board of Directors.

#### D. Pilot Area

The Sesame Pilot Program is available only in the following counties.

State	Counties
Kansas	Barber, Harper, Kingman, Sumner
Oklahoma	Alfalfa, Blaine, Caddo, Canadian, Custer, Dewey, Ellis, Garfield, Grant, Kingfisher, Kiowa, Jackson, Major, Tillman and Washita
Texas	Bee, Castro, Cameron, Colorado, Crosby, Dawson, Floyd, Gaines, Hale, Hardeman, Haskell, Hidalgo, Hockley, Jim Wells, Jones, Kleberg, Lamb, Live Oak, Lubbock, Matagorda, Medina, Nueces, Refugio, Runnels, San Patricio, Swisher, Terry, Tom Green, Uvalde, Wharton, Wichita, Wilbarger, Willacy and Zavala.

#### E. Applying for Sesame Pilot Program

AIPs shall use the standard application for Sesame Pilot Program.

## **1 General Information (Continued)**

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### **F. Related Handbooks**

The following table provides handbooks related to Sesame Pilot Program.

**Important:** Not all sections of related handbooks or all procedures in a section apply to Sesame Pilot Program. See Part 3 for more information.

**If there is a conflict between this handbook and the CIH, LAM or Sesame Pilot LASH, this handbook controls.**

<b>Handbook</b>	<b>Purpose</b>
CIH	General underwriting procedures.
LAM	General loss procedures.
Sesame Pilot LASH	Loss procedures for sesame.

## **2 Responsibilities**

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### **A. AIP Responsibilities**

AIPs must use standards, procedures, methods and instructions as authorized by FCIC in the sale and service of crop insurance contracts. Each AIP is responsible for using RMA approved procedure. AIP should report any pilot program issues or concerns to APDD of RMA. AIPs must submit all yield records for APH databases for sesame.

### **B. Insured's Responsibilities**

To be eligible for the Sesame Pilot Program, insureds must comply with all terms and conditions of the Sesame Pilot Crop Provisions, Basic Provisions, and all other applicable documents.

**3-20 (Reserved)**

## Part 2 Eligibility Requirements and Insurability

### 21 Eligibility Requirements

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#### A. Production Experience

Production and yield data must be on the basis of the pounds of clean dry sesame seed for which a processor paid the producer.

#### B. Eligible Acreage and Crop

Insurance coverage is not authorized for any of the following, unless allowed by the Special Provisions:

- Sesame inter-planted with another crop
- Sesame planted into an established grass or legume
- Non-irrigated sesame planted on land on which any of the following occurred in the same calendar year:
  - a hay crop was harvested, including a harvested small grain hay crop
  - a small grain crop reached the headed stage, regardless of the percentage of small grain plants that reached the headed stage
  - a crop was grazed past March 15, or other date provided in Special Provisions.

### 22 Insurability

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#### A. Insurable Types, Varieties and Practices

Types are specified for White Sesame and Black Sesame. No varieties are specified. Both irrigated and non-irrigated practices are insurable.

#### B. Insurable Coverage Levels and Units

Eligible growers may select coverage from CAT levels through 75 percent of APH yield. Coverage levels greater than 75 percent are not offered in this program.

Coverage is available for basic and optional units.” In addition to optional unit structure allowed under Section 34(c) of the Basic Provisions, the APH Sesame Pilot Crop Provisions Section 2 allows optional units to be established by type.

23-30 (Reserved)

## Part 3 Applicability of Handbooks

### 31 General Overview

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This Part identifies information specific to the applicability of the CIH, LAM, and any other issuance that may require supplemental information with regard to sesame or to the APH plan of insurance. Unless specifically amended or supplemented by information in this handbook, all policy and procedure issuances apply to sesame and to the APH plan of insurance.

## 32 Specific Information Regarding the CIH

The following table provides general information, changes, additions and modifications, termed supplemental instructions, regarding the CIH applicable to APH Sesame Pilot Program.

CIH Section Reference	Supplemental Instructions
Part 2 Section 2 237	<u>Price</u> If there are multiple base contract prices within the same unit, each will be considered a separate price election that will be multiplied by the number of insurable acres under the applicable processor contract. These amounts will be totaled to determine the premium, liability and indemnity.
Part 6 Section 1 604	<u>Replanting</u> Sesame is added to the Crop Replanting Requirements table, but is not eligible for replanting payments.
Part 6 Section 2	<u>Late Planting</u> Late planting provisions do not apply to sesame.
Part 6 Section 3	<u>Prevented Planting</u> The Prevented Planting provisions are not applicable to sesame.
Part 7 Section 2	<u>Optional Units</u> Optional units by type are authorized for sesame if types are designated on the Special Provisions. Optional units by variety are not authorized.
Part 7 Sections 3	<u>Enterprise Units</u> Sesame is not eligible for Enterprise units.
Part 7 Sections 4	<u>Whole Farm Units</u> Sesame is not eligible for Whole Farm units.
Part 10	<u>Production Report</u> Acceptable Production Reports and Submission of Production Reports rules apply to sesame.
Part 14	<u>Category B Crop Procedures</u> Sesame is added as a crop for which the Category B underwriting and APH responsibilities apply. Supporting Evidence and Appraisals and Field Visits for APH Purposes rules apply to sesame. Yield limitations shall apply to sesame with the exception that yield floors do not apply.
Part 16 1627	<u>Additional Provisions by Crop</u> 1627 Sesame. (a) Acceptable supporting records. A copy of the contract and settlement sheet is required. Statements or contract summaries from processors must indicate the quantity of clean dry sesame seed purchased, dollars received for product delivered, the base contract price, and the area planted. If farm management records are used to support production reports, they must be substantiated by records from a processor.

	(b) The insured crop. Non-dehiscent varieties of sesame adapted for mechanical harvesting are the only varieties insurable. The insured crop and the production to count are the clean dry sesame seed. Production and yield data must be recorded on the basis of the pounds of clean dry sesame seed paid for by the processor.
Part 15	<u>Category C APH Crops (Perennial Crops)</u> Not applicable.
Part 12 Section 3	<u>APH Yield Adjustment</u> Procedures set forth in CIH Section 13 regarding APH yield adjustment shall apply to the Sesame Pilot APH Program with the exception that yield floors do not apply.
Part 12 Section 5	<u>Reviewing and Correcting APH Yields</u> Companies will follow APH review procedures as outlined in Section 19 of the CIH, as indicated in the event APH yield adjustment is required.
Exh. 2A	<u>Category B Crops</u> Sesame is added to the definition of Category B Crops.
Exh. 2B	<u>APH Yield Tolerance</u> The APH Yield Tolerance for sesame is 5%.
DSSH	Use APH form.

### **33 Prevented Planting LASH**

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The Prevented Planting Loss Adjustment Standard Handbook is not applicable to the Sesame Pilot Program. Prevented planting coverage is not available for sesame.

### **34 LAM**

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The procedures identified in the LAM are adopted for the Sesame Pilot Program.

### **35 Sesame LASH**

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The APH Sesame Pilot Program Loss Adjustment Standard Handbook applies to this pilot.



**Acronyms**

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<b>Approved Acronyms</b>	<b>Term</b>
AIP	Approved Insurance Provider
APH	Actual Production History
APDD	Actuarial and Product Design Division
CAT	Catastrophic Risk Protection
CIH	Crop Insurance Handbook
DSSH	Document and Supplemental Standards Handbook
FCIC	Federal Crop Insurance Corporation
LAM	Loss Adjustment Manual
LASH	Loss Adjustment Standards Handbook
RMA	Risk Management Agency

**Definitions**

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The following are definitions of terms used in this handbook.

Approved Insurance Provider means approved insurance provider as defined in the Federal Crop Insurance Act. For the purposes of this handbook, Approved Insurance Provider includes managing general agents as defined in the Standard Reinsurance Agreement.

## Examples

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This Exhibit provides an example of:

- calculating a premium
- calculating an indemnity.

The following data applies to example 1 and 2.

Acres = 200

Practice = Irrigated

Producer average APH Yield = 640 lbs/acre

Coverage level = 75 percent

Production guarantee (producer average APH yield times x coverage level) = 480 lbs/acre

Price election (Base contract price) = \$0.28 per lb

Price election percentage = 100 percent

Share = 100 percent

County reference yield = 600 lbs/acre

Reference rate = 0.186

Exponent = -1.33

Fixed rate = 0.036

Ratio of producer average APH Yield to County reference yield = 1.07 (640 ÷ 600)

Premium rate =  $0.206 (0.036 + 0.186 \times (1.07)^{-1.33})$

### A. Example 1 – Calculating a Premium

Sesame Pilot program premiums are calculated according to the Basic Provisions, section 7(c). Calculate the premium using the following formula:

$$[(\text{Production guarantee per acre}) \times (\text{price election}) \times (\text{premium rate}) \times (\text{insured acreage}) \times (\text{share})]$$

The calculated premium is \$5,537 (480 x \$0.28 x 0.206 x 200 x 1.000)

**B. Example 2- Calculating an indemnity with multiple contracts and multiple prices.**

Jim Farmer has a contract with Company A for 50 acres of white sesame with a contract price of 25 cents per pound. He has a second contract with Company A for 30 acres of black sesame in the same unit at 30 cents per pound. His APH yield is 800 pounds per acre for white sesame and 500 pounds for black sesame and he has coverage at the 75% level. His production guarantee for white sesame is 800 pounds x 75 percent = 600 pounds and for black sesame 500 pounds x 75 percent = 375 pounds. His share in both cases is 100 percent. A minor drought damages both fields and the appraised yield is 400 pounds for the white sesame and 300 pounds for the black sesame.

His settlement of claim would be calculated as follows:

Step 1) 50 acres x 600 pounds =	30,000 pounds
30 acres x 375 pounds =	11,250 pounds
Step 2) 30,000 pounds x \$0.25 =	\$7,500
11,250 pounds x \$0.30 =	\$3,375
Step 3) \$7,500 + \$3,375 =	\$10,875
Step 4) 20,000 white PTC x \$0.25 =	\$5,000
9,000 black PTC x \$0.30 =	\$2,700
Step 5) \$5,000 + \$2,700 =	\$7,700
Step 6) \$10,875 - \$7,700 =	\$3,175
Step 7) \$3,175 x 100% share =	\$3,175 Indemnity