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MALTING BARLEY ENDORSEMENT INSURANCE STANDARDS HANDBOOK

2022 and Succeeding Crop Years

**RISK MANAGEMENT AGENCY
KANSAS CITY, MO 64133**

TITLE: MALTING BARLEY ENDORSEMENT INSURANCE STANDARDS HANDBOOK	NUMBER: FCIC-20240-1
EFFECTIVE DATE: 2022 and Succeeding Crop Years	ISSUE DATE: June 24, 2021
SUBJECT: Provides the procedures and instructions for the Malting Barley Endorsement crop insurance program	OPI: Product Administration and Standards Division
	APPROVED: <i>/s/ Richard Flournoy</i> Deputy Administrator for Product Management

REASONS FOR AMENDMENT

This handbook is issued to provide official FCIC-issued underwriting instructions for administering the Malting Barley Endorsement for the 2022 and subsequent crop years. It is effective until reissued or until the program is terminated by FCIC.

In the absence of industry developed, FCIC-approved procedure for this crop, all reinsured companies will utilize these standards for both underwriting and training.

This handbook has been revised as indicated below. Minor changes and corrections are not included in this listing. See changes or additions in text that have been highlighted. Three stars (***) identify where information has been removed.

1. **Subparagraph 1E:** Added Indiana to the list of states having counties within the approved area.
2. **Paragraph 28:** Added language related to timeframe specifications for settlement of a claim and references to section 8(c)(6) of the MBE.

MALTING BARLEY ENDORSEMENT INSURANCE STANDARDS HANDBOOK

CONTROL CHART

Malting Barley Endorsement Insurance Standards Handbook							
	TP Page(s)	TC Page(s)	Text Page(s)	Exhibit Numbers	Exhibit Page(s)	Date	Directive Number
Remove	1-2		1-2 9-12			06-2020 06-2020	FCIC-20240 FCIC-20240
Insert	1-2		1-2 9-12			06-2021 06-2021	FCIC-20240-1 FCIC-20240-1
Current Index	1-2	1-2	1-2 3-8 9-12 13-34	1-2	35-37	06-2021 06-2020 06-2021 06-2020 06-2021 06-2020 06-2020	FCIC-20240-1 FCIC-20240 FCIC-20240-1 FCIC-20240 FCIC-20240-1 FCIC-20240 FCIC-20240

FILING INSTRUCTIONS

The handbook pages listed in the Control Chart above under the “Insert” heading replace such pages in the 2021 Malting Barley Endorsement Insurance Standards Handbook, FCIC-20240 (06-2020). This handbook is effective for the 2022 and succeeding crop years and is not retroactive to any 2021 or prior crop year determinations.

PART 1 GENERAL INFORMATION AND RESPONSIBILITIES

1 General Information

A. Purpose

This handbook provides procedure for administering the Malting Barley Endorsement (MBE) in accordance with the BP and the Small Grains CP and supplements the CIH, LAM, the Prevented Planting Loss Adjustment Standards Handbook, the Small Grains LASH and any other procedural issuance via exceptions, changes, and additions. If there is a conflict between this handbook and the CIH, GSH or LAM or other issuance, this handbook controls. If there is a conflict between this handbook and the policy, the policy controls.

B. Source of Authority

The MBE is a privately-developed product submitted and approved, by the FCIC Board of Directors, in accordance with section 508(h) of the Federal Crop Insurance Act to extend and enhance yield and revenue coverage to producers of malting barley. This handbook provides the FCIC-approved procedures for administering the MBE in the approved areas.

C. Duration

The MBE was available beginning with the 2016 crop year and is authorized until terminated or converted to a permanent program.

D. AIP Option to Offer

Since this is a 508(h) submission, AIPs are not required to offer the MBE to producers. Accordingly, each AIP must determine whether it will offer the MBE in the approved pilot area. AIPs that elect to offer the MBE must offer it to all eligible producers in the approved pilot area, and must administer the program according to the procedures in this handbook.

E. Approved Area

The MBE is available in selected counties in Alaska, Colorado, Idaho, **Indiana**, Minnesota, Montana, Nebraska, North Dakota, Ohio, Oregon, South Dakota, Washington, and Wyoming where applicable information is filed in the actuarial documents for the county.

F. Applying for Malting Barley Coverage

Use the standard application or policy change form to add coverage to an existing policy or to transfer the policy from another AIP. The document must indicate the insured has selected the MBE along with the other required information.

1 General Information (Continued)

G. Related Handbooks

The following table lists handbooks related to the MBE Program.

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

Handbook	Purpose
CIH	General underwriting procedures
GSH	General Standards Handbook
LAM	General loss procedures
Small Grains LASH	Crop specific loss procedures
Prevented Planting LASH	General procedures for administering prevented planting losses

2 Responsibilities

A. AIP's 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. AIPs should report any program issues or concerns to the Product Administration and Standards Division (PASD) of RMA.

B. Insured's Responsibilities

To be eligible for the MBE, insured must comply with all terms and conditions of the BP, Small Grains CP and the MBE.

3-20 (Reserved)

27 Projected Price and Harvest Price (Continued)

Example: The producer's contracts call for delivery of 12,500 bushel. The APH applicable to the insured acreage is 50 bushel. The minimum acreage to produce the contracted quantity is $12,500 \div 50$ bushel = 250 acres. The producer plants 260 acres of malting barley so there are contracted (250) and non-contracted (10) acres. The barley projected price from the CEPP is \$4.25 per bushel. The weighted average projected price is:

$$[(\$5.90 \times 250 \text{ acres}) + (\$4.25 \times (260.0 - 250.0 \text{ acres}))] \div 260.0 \text{ acres} = \$5.84$$

This weighted average projected price is applicable to all insurable planted acres.

The harvest price for revenue protection is determined by subtracting the projected price for wheat in accordance with section 10 of the MBE from the projected price determined in section 4(a), and adding that result to the harvest price for wheat in accordance with section 10 of the MBE. For yield protection, the harvest price is the projected price as there is no price change coverage.

Example: Continuing the previous example, we determined the weighted average projected price to be \$5.84 per bushel. The harvest price for the soft red winter wheat (in accordance with section 10 of the MBE) is \$9.00 per bushel. The harvest price for malting barley under MBE is determined as follows:

Subtract the projected price for soft red winter wheat from the projected price established for malting barley:

$$\$5.84 \text{ per bushel} - \$8.00 \text{ per bushel} = -\$2.16 \text{ per bushel.}$$

Add the result of the previous calculation to the harvest price for soft red winter wheat:

$$\$9.00 \text{ per bushel} - \$2.16 \text{ per bushel} = \$6.84 \text{ per bushel.}$$

The projected price for malting barley under MBE may not exceed the applicable projected price for barley under the CEPP multiplied by 2.50.

Note: The provisions of section 3(c)(5)(i) and (ii) of the BP apply if the projected price or harvest price cannot be calculated for the current crop year under the provisions in section 10 of the MBE.

Insured acreage could qualify for two types of quality adjustment (see subparagraphs A and B below).

Production from all acreage insured under the MBE and any production of other barley types must not be commingled prior to making loss determinations. Failure to keep production separate as required herein will result in denial of the claim.

Production meeting the minimum quality requirements contained in the malting barley contract or SP (whichever is applicable) or that is accepted by a buyer, even if not meeting such quality requirements, is not eligible for the additional quality adjustment in accordance with sections 8(a)(5) and 8(a)(6) of the MBE.

All samples of production used to determine insurable quality deficiencies under the MBE must be obtained in accordance with the Quality Adjustment Statements of the SP, but not later than 90 days after the EOIP, otherwise such production will not be adjusted for quality. All quality deficiencies based on the timely-obtained samples must be determined no later than **March 15** of the calendar year immediately following the calendar year in which the insured malting barley is normally harvested. Damage that occurs after the end of the insurance period is not covered.

A. Quality Adjustment for Rejected Malting Barley (if proven due to insurable causes)

- (1) Production under malting barley contracts may be adjusted based upon the failure to meet quality stated in the contract specifications.
- (2) Production under malting barley price agreements may be adjusted upon the failure to meet the malting barley quality specifications in the SP.
- (3) Production under malting barley seed contracts is not eligible for the additional quality adjustment under the MBE. Malting barley seed is only eligible for quality adjustment in accordance with the Small Grains CP.

Eligible contracted malting barley production (under a malting barley contract or malting barley price agreement) rejected by the buyer, in accordance with the terms of the MBE, is reduced by multiplying the amount of such production by the LMP divided by the harvest price determined in accordance with section 4 of the MBE. This applies for both yield and revenue protection for purposes of quality adjustment on eligible rejected production only.

Eligible malting barley production that fails to meet the standards applicable to a malting barley contract, or a malting barley price agreement, but is accepted by a buyer at a discounted purchase price, will be reduced by multiplying the amount of such production by the greater of the discounted purchase price or the LMP divided by the contract price in accordance with section 8(a)(6) of the MBE.

A. Quality Adjustment for Rejected Malting Barley (if proven due to insurable causes) (continued)

Notwithstanding the AIP's initial acceptance of the buyer's decision to reject certain production and payment of an indemnity, the insured must document to the AIP the ultimate disposition of the production on or before the sales closing date for the next crop year. If the insured retains any insured production after this date, the AIP may defer this requirement until such a time as the production is disposed of **in accordance with section 8(c)(6) of the MBE**. If adequate documentation of the disposition of such production is not provided by the applicable deadline, it will be considered to be production accepted by the buyer. Any indemnity previously paid will be recalculated. The insured must repay the amount of any over-paid indemnity determined as a result.

Acceptable evidence of ultimate disposition is a bill of sale from a disinterested third party that is not involved in the procurement of barley for malting purposes. Said bill of sale must include the quantity sold and the amount paid for the production. Other acceptable evidence for APH purposes is described in the CIH.

- (1) Duties and responsibilities of the insured in addition to those contained in the BP and the Small Grains CP:

Notify the AIP within 72 hours if any production is rejected by the buyer for failure to meet the quality standards contained in the contract. However, in the case of a malting barley price agreement, the AIP will use the quality standards contained in the SP to determine whether or not any quality adjustment can be done in accordance with the MBE.

- (a) This notice is required only for the first instance that rejection occurs.
 - (b) The insured must also provide the same notice if eligible malting barley production fails to meet the standards applicable to a malting barley contract or a malting barley price agreement but is accepted by a buyer at a discounted purchase price in accordance with section 8(a)(6) of the MBE.
- (2) Duties and responsibilities of the loss adjuster in the event production is rejected by the buyer for failure to meet the quality standards in the contract.
 - (a) Verify that the decision to reject was based on a determination made following established procedures of the buyer. To be considered established procedures, there must be a reference manual, reference slides, compact discs, computer files, or other media that identify rejection levels or conditions.
 - (b) Verify that the decision to reject was made by a person trained in the use of established procedures and that the person did follow those procedures.
 - (c) Verify that the specific cause leading to the decision to reject has been documented in writing.

A. Quality Adjustment for Rejected Malting Barley (if proven due to insurable causes) (continued)

- (d) Verify that the sample used to make the decision to reject has been preserved and that an adequate quantity is available for review by the AIP.
 - (e) Determine whether it is necessary to send a portion of the sample to a third party for review.
 - (f) If it cannot be demonstrated to the loss adjuster's satisfaction that the rejection was based on valid, supportable reasons, the quantity of malting barley in question is not eligible for quality adjustment due to rejection.
- (3) All grades and quality determinations must be based on the results of an objective test made by a qualified person following approved procedure as outlined in the MBE.

Whenever any production fails one or more of the quality criteria specified in section 8(a)(2) of the MBE, the claim may not be settled until the earlier of:

- (a) The date such production was sold, used for feed, donated, or otherwise utilized for any purpose; or
- (b) April 14 of the calendar year immediately following the calendar year in which the insured malting barley is normally harvested. If the insured retains any insured production after this date, the AIP will defer completion of the claim if the insured agrees to such deferment or if the insured does not agree to deferment the claim will be completed with no adjustment for quality deficiencies including all remaining unsold insured production **in accordance with section 8(c)(6) of the MBE.**

If the insured over-reports liability for the unit (reported information results in liability higher than the liability determined by the AIP to exist), the information contained in the acreage report will be revised to be consistent with the correct information. If the AIP determines acres or approved APH yields need to be revised on the acreage report before processing the claim (LAM para 501B(8) and B(9)), then the acreage report will be revised to reflect the correct acres and/or yields and the newly-adjusted projected price.

B. Quality Adjustment in Accordance with the Small Grains CP

Production of malting barley that is eligible for quality adjustment under sections 8(a)(5) and 8(a)(6) and 8(a)(7) of the MBE and all production under a malting barley seed contract, is also eligible for quality adjustment under the terms of the Small Grains CP.