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Department of
Agriculture



Federal Crop
Insurance
Corporation



Product
Development
Division

FCIC-25010 (01-1998)
FCIC-25010-1 (05-1998)
FCIC-25010-2 (05-1999)
FCIC-25010-3 (01-2000)
FCIC-25010-4 (06-2000)


LOSS ADJUSTMENT MANUAL (LAM)

Also Known As

**GENERAL LOSS
ADJUSTMENT
STANDARDS (GLAS)**

2000 and Succeeding Crop Years

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

FEDERAL CROP INSURANCE HANDBOOK	NUMBER: 25010 (01-1998) 25010-1 (05-1998) 25010-2 (05-1999) 25010-3 (01-2000) 25010-4 (06-2000)
SUBJECT: LOSS ADJUSTMENT MANUAL (LAM) (Also known as General Loss Adjustment Standards (GLAS)) 2000 AND SUCCEEDING CROP YEARS	DATE: June 29, 2000
	OPI: Product Development Division
	APPROVED:  Administrator, Risk Management Agency

SUMMARY OF CHANGES/CONTROL CHART

Major Changes: Redline identifies changes or additions in the text. Three stars (***) identifies information that has been removed.

Changes for June 2000 Issuance (FCIC-25010-4):

- (1) PAR. 15 Moved subparagraph (e) on page 23 to page 22.1 so it is correctly shown under subparagraph (5) and corrected subparagraph (6) on page 22.1 to be subparagraph (5.1).

- (2) PAR. 112 B (2) Removed “an elevator operator” to eliminate the possibility of the test weight determination of an elevator operator who is not licensed under the authority of the United States Grain Standards Act or the United States Warehouse Act being used for quality adjustment.

- (3) PAR. 112 E (3) (f) Clarified the use of only usual, customary, and reasonable reduction-in-values when a contract is in effect for the production.

- (4) PAR. 112 E (4) Revised test weight, discount factors, and calculated quality adjustment factor in example 1. Due to revisions in the chart factors in the quality adjustment section of the Special Provisions beginning with the 2000 crop year, the test weight and discount factors shown in this example were no longer correct for grain sorghum.

- (5) Exhibit 4 Corrected the number of pounds that constitute a lug of Table Grapes.

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- (c) A written statement describing the farming operation and the insurable share must be provided and maintained in the insured's file folder in the service office.
- (d) When a minor becomes capable of entering into a binding contract or when incompetency is dissolved, a successor-in-interest application is required. See the CIH for information concerning the effective crop year for which the successor-in-interest application must be prepared.
- (e) When a parent or court appointed guardian co-signs the application, it must contain a statement guaranteeing payment of the annual premium.

(5.1) Individual Entity: Competent Individuals Represented by Appointees

If the application is signed by someone other than the individual entity, a Power of Attorney giving that person authority to sign must be maintained in the insured's file folder. The Power of Attorney must be considered to be legally executed by the state in which it was executed, and it must give the appointee the authority to sign crop insurance documents for the insured. In states that require the Power of Attorney to be acknowledged (notarized), the signature of the individual and appointee must be notarized. In states that do not require the Power of Attorney to be notarized, the signatures of the individual and appointee must be witnessed and the signature of the witness obtained on the document. The FSA Power of Attorney Form is acceptable if it meets these requirements.

(CAT policies ONLY →)**(6) Individual Entity: Producers Under One Tobacco Marketing Card**

Tobacco producers may insure 100 percent of the tobacco acreage for which a marketing card is issued by FSA under one policy subject to the following conditions:

- (a) All shareholders must agree to such an arrangement in writing and none of the persons may have other tobacco on which CAT coverage is required.
- (b) The insured is the producer named on the application. The applicant/named insured must have a share in the tobacco acreage covered by the marketing card.
 - 1 The applicant/named insured is responsible for furnishing the insurance provider a copy of the shareholder agreement, names, and Employee Identification Numbers (EIN) or Social Security Numbers (SSN) of all persons who share in the tobacco acreage covered by the marketing card. Each shareholder must be listed as an SBI even if their actual interest in the insured interest is less than 10 percent.
 - 2 The producer designated as the named insured is responsible to apply for insurance, pay any applicable administrative fee and fulfill all contractual requirements (e.g., file acreage reports, provide APH production reports, give notice of damage, etc.). A copy of the agreement that designates the responsible person must be placed in the insured's file.
 - 3 Any indemnity payment due will be made to the named insured under his/her SSN/EIN number. The named insured is responsible for distributing any indemnity payments to other producers sharing in the crop.

←CAT policies ONLY)

(CAT policies ONLY→**(7) Individual Entity: Undivided Interests**

Landowners with an undivided interest in land may insure crops on such land under one policy subject to ALL of the following conditions:

- (a) The policy covers only insured crop(s) grown on land with an undivided interest. None of the landowners may have other land on which CAT coverage is required.
- (b) The total liability for each crop insured under an undivided interest policy must not exceed \$2500. **←CAT policies ONLY)**

(CAT policies ONLY→

- (c) The landowner designated as the named insured is responsible for applying for insurance, paying any applicable administrative fee(s) and fulfilling all contractual requirements (e.g., filing acreage reports, providing APH production reports, giving notice of damage, etc.). A copy of the agreement that designates the responsible person must be placed in the insured's file.
 - 1 Any indemnity payment due will be made to the named insured under his/her SSN/EIN number. The named insured is responsible for distributing any indemnity payments to other landowners sharing in the crop.
 - 2 The applicant/named insured must furnish to the Insurance Provider proof that an undivided interest in the land exists, names of the landowners, and the SSN/EIN of the landowners.
 - 3 All landowners must be listed as an SBI without regard to their actual interest in the land. **←CAT policies ONLY)**

(8) Partnerships

A partnership is a written or verbal (requires an EIN) contract between two or more persons. The essential element of a partnership which distinguishes it from other forms of joint ventures is that each partner has authority to enter into contracts and bind all other members to such contracts.

- (a) The death, declaration of incompetence, or withdrawal of a partner, terminates the partnership, unless a written partnership agreement provides otherwise.
- (b) Crops to be insured under the partnership are those in which the partnership has a share and require only one application.

SECTION 5 ADJUSTMENTS TO PRODUCTION

111 GENERAL INFORMATION

A Reasons Why Production May Be Adjusted

Adjustments are allowed for the following:

- (1) Moisture.
- (2) Foreign-material (FM) dockage (only dockage for foreign material is allowed unless specified otherwise in individual crop handbooks).
- (3) Low quality caused by an insurable cause of damage. Adjustments are made for moisture and quality only when they meet the requirements stated in the endorsement/policy for the adjustment(s).

B Who Makes Adjustment Determinations

The adjuster can determine the following from individual load slips and/or settlement sheets: percentages of moisture, FM-dockage, test weight, and some defects (e.g., kernel damage, if determined by licensed grader). In some cases, the adjuster may determine moisture or foreign material percentages and test weights, provided that proper equipment is used; see PAR. 113, 114, and 117. Some grading factors must be determined by a grader licensed under the authority of the United States Grain Standards Act or the United States Warehouse Act. Samples must be analyzed by a laboratory meeting specific requirements specified by RMA with regard to substances or conditions injurious to human or animal health. See PAR. 118. **Note: Samples to make determinations CANNOT be obtained by the insured or insured's representative.**

C Production Disposed of Before Determinations Are Made

- (1) When the insured's interest is 100 percent in the crop:

Adjustments in production for moisture, FM-dockage, or quality (quality adjustment) cannot be allowed for production disposed of before necessary determinations are made, unless sales or weight tickets show gross weight, moisture content, FM-dockage, and any other applicable defects.

- (2) When the insured's interest is LESS than 100 percent in the crop:

Moisture, FM dockage or quality adjustment can be allowed IF: (1) The production belonging to the other person sharing in the crop is available to make determinations, or (2) Weight tickets are available which show gross weight, foreign material, moisture content, and the amount of defects. **This is applicable ONLY when the other production is representative of the insured's share.**

112 QUALITY ADJUSTMENT

A Policy/Endorsement Provisions

Some policies/endorsements provide for a reduction in the production to count when the quality of the appraised and/or harvested production is reduced due to insurable causes. The quantity of production to count is reduced when it meets the requirements stated in the crop policy/endorsement.

B Who Can Determine the Quality of Grain Crops for Quality Adjustment Purposes

- (1) Some factors which affect quality adjustment MUST be determined by a grain grader licensed under the authority of the United States Grain Standards Act or the United States Warehouse Act, such as:

- ! Garlicky, Smutty, or ergoty grain.
- ! Special grading factors.
- ! Kernel damage caused from an insured cause of loss.

- (2) TEST WEIGHT determinations for quality adjustment purposes must be determined by a grain grader licensed under the authority of the United States Grain Standards Act or the United States Warehouse Act OR by the adjuster.

- (3) MYCOTOXINS in grain crops MUST be determined by a disinterested testing facility that is recognized in conducting certifiable industry-standard test(s) for the particular mycotoxin(s). See Mycotoxins in Grain Crops, PAR. 118.

Refer to the applicable individual crop handbook and/or endorsement, policy, crop provisions, or Special Provisions for specific quality adjustment qualifications and provisions.

NOTE: When samples are taken from farm-stored production or from unharvested mature production to obtain quality determinations, only adjusters can extract the samples. The adjuster is responsible for taking enough samples to ensure that the combined samples will be representative of all production in the storage structure. This is done by using a probe (may need an extension) or other various means to extract samples from various depths and areas of the storage structure.

C Who Can Determine the Quality of NON-GRAIN Crops

For some crops, the processor or buyer can determine various factors of quality, while for other crops, a state or USDA grader must determine these factors. Refer to the applicable crop handbook and/or crop policy/endorsement for specific quality adjustment qualifications and provisions. **Note:** When there is farm-stored production or unharvested mature productions, only adjusters can obtain samples for quality determination purposes.

the RIV for **each** qualifying damage cannot be established from the buyer, the RIV will be the total reduction in value (excluding any RIV as stated in (3) (d) below) of the LMP.

(3) Establishing RIV's

- (a) The adjuster is responsible for ensuring that only usual, customary, and reasonable RIV's are used. When determining RIV's, it is not necessary to determine the actual **value** of the production if the buyer is able to specifically provide, to the adjuster's satisfaction, the reduction in value (RIV) requested.
- (b) RIV's and LMP's will be those in effect on the earlier of, the date such quality-adjusted grain is sold or the date of final inspection for the unit.
 - 1 **For Sold Production.** The RIV will be the RIV applied by the buyer unless it is determined that such RIV's are not usual, customary, and reasonable.
 - 2 **For Unsold Production (Commercially Stored, Farm Stored, or Appraised Mature Production).** The RIV's will be the RIV's for the types/levels of damage at the local market on the date of final inspection. However, if a lower RIV is available at a market within a reasonable distance outside the insured's local marketing area (distant market), the RIV can be increased by the additional costs to deliver the production to the distant market; provided the resulting RIV does not exceed the RIV in the insured's local marketing area.
 - 3 **Fed Production.** The RIV will be the RIV for the type/level of damage at the insured's local marketing area on the date of final loss adjustment PROVIDED acceptable weight records are available showing necessary quality adjustment information, or grain is still available from which the adjuster can obtain samples. See PAR. 102 D.
- (c) When there is a type or level of damage for which there are pre-established DF's AND ALSO a type or level of damage for which there are no pre-established DF's, the pre-established DF's will be ignored. The DF's will be derived from the RIV's for ALL of the types/levels of allowable damage (including the type/level of damage for which there is a pre-established DF). See Example 2 in E (4) below.
- (d) No RIV is allowed if it is due to (1) moisture content, (2) damage due to uninsured causes, or (3) drying, handling, processing or any other costs associated with normal harvesting, handling, and marketing of the production.

(e) Conditioning Costs: If an RIV can be decreased by conditioning the production, the RIV after conditioning may be increased by the cost of conditioning, provided the resulting RIV does not exceed the RIV before conditioning.

(f) Contracted Production

1 Contract has been fulfilled (production delivered/sold):

The RIV will be the RIV applied by the buyer (who had the contract with the insured) as long as the RIV is usual, customary, and reasonable. To determine whether the RIV is usual, customary, and reasonable, the RIV must be compared to the RIV that would have been applied to the damaged production (same type/level of damage) if it had not been contracted.

For example:

Contracted grain: delivered October 1, RIV of \$2 applied.

Local Market Area - non-contracted grain: RIV would have been \$1 on October 1 for production of the same type/level of damage.

In this case, the \$2 RIV for the contracted and delivered grain was not usual and reasonable compared to the \$1 RIV in the local market. The \$1 RIV would be used to compute the quality adjustment factor.

2 Contract has not been fulfilled (production not delivered/unsold):

Since settlement has not been made, there is no way to establish the RIV with any certainty; therefore, the production will be considered to be unsold. Establish the RIV as instructed in (b) 2 above.

3 Disregard the fact that the insured may receive additional money after the claim has been finalized. The only RIV that can be considered is the actual RIV applied by the buyer on the date the production was sold unless the RIV applied by the buyer is not usual or reasonable (see (f) 1 above); or if unsold, the RIV determined at the time of the final inspection as instructed in (3) (b) 2 or 3, as applicable.

(4) Examples of Determining QAF's with Chart DF's and Derived DF's

NOTE: QAF's cannot be less than zero.

Example 1: DF's on Chart

Grain Sorghum has low test weight (40 pounds) and kernel damage (17%). The chart in the Special Provisions for Grain Sorghum shows a DF of .080 for 40 test weight pounds and a DF of .038 for 17% kernel damage. The insured has sold the grain or if unsold, a positive market value is available for the damaged grain. The QAF is determined as shown in the following two steps:

$$(a) \begin{array}{r} .080 \text{ (DF for test weight)} \\ + .038 \text{ (DF for kernel damage)} \\ \hline .118 \text{ Total DF's} \end{array} \qquad (b) 1.000 - .118 = .882 \text{ QAF}$$

Example 2: Combination Damage - (i.e., type/level of damage for which there is a pre-established discount factor on the chart and a type/level of damage for which there is no pre-established discount factors on the chart)

Corn had a low test weight of 46 pounds and had mycotoxin damage. It was determined that there was a 65¢ a bushel RIV for mycotoxin. There is a DF of .075 for 46 pound test weight on the chart in the Special Provisions for corn, and a determined RIV of 16¢ a bushel for the low test weight. Mycotoxins are a type of damage for which the Special Provisions has no listed DF, thus the DF for mycotoxins are derived. However, since there is a type of damage for which there is no pre-established DF (mycotoxin), AND a type/level of damage for which there is a pre-established DF, the pre-established DF will be ignored. A RIV for the low test weight and a RIV for the mycotoxin will be determined to establish a DF for each type of damage.

The LMP for corn is \$2.20. The QAF for the damaged corn is determined as shown in the following three steps:

$$(a) \begin{array}{r} .65 \text{ (RIV for mycotoxin)} \\ + .16 \text{ (RIV for test weight)} \\ \hline \$.81 \text{ Total RIV} \end{array}$$

$$(b) .81 \text{ (Total RIV)} \div 2.20 \text{ (LMP)} = .368 \text{ (DF)}$$

$$(c) 1.000 - .368 = .632 \text{ QAF}$$

NOTE: If the mycotoxin was a type/level for which there was 100% RIV; i.e., due to Federal and State regulation, the grain cannot be sold; the QAF would be ".000," regardless of DF's for types/levels of damage on the chart.

F Crops that use the Actual Value Received to Determine QAF's

For some crops, there are no quality adjustment charts in the Special Provisions, and the crop provisions provide that the dollar-and-cents value of the damaged crop is used in establishing the quality adjustment factor. Check the crop provisions for applicable crops. **This does not apply to barley, corn, canola, flax, grain sorghum, oats, rye, safflowers, soybeans, sunflowers, and wheat; see subparagraph E above for these crops.**

- (1) The dollar-and-cent value of the damaged production is the local market value for the same quality as the damaged production. (See allowances for conditioning costs in (5) below.) When determining the value of production, consideration must be given to the test weight, damaged kernels, moisture content, substances or conditions injurious to human or animal health, and other factors which (due to insurable causes) affected the value of the production. In regards to moisture, see subparagraph F (4) below.
- (2) The dollar-and-cents value shall NOT REFLECT ANY REDUCTION:
 - (a) due to uninsured causes;
 - (b) for drying charges, handling, processing, or any other costs associated with normal harvesting, handling, and marketing of the production; and/or
 - (c) for moisture discounts greater than standard shrink for crops having moisture adjustments allowed in quality adjustment (see (4) (b) below).

UNITS OF MEASURE OF PRODUCTION*, BY CROP	
CROP NAME	UNIT OF MEASURE
Crambe (Pilot)	Pounds
Cranberries	Barrels (100 lbs.)
Cucumbers, Processing (Pilot)	Bushels (50 lbs.)/Dollars ****
Dry Beans	Pounds (60 lbs. per bu)
Figs	Pounds
Flaxseed	Bushels (56 lbs.)
Florida Fruit Trees (Pilot)	% Stand/Dollar *
Forage Production	Tons ***
Forage Seeding	% Stand/Dollar *
Grain Sorghum	Bushels (56 lbs.)
Grapes	Tons ***
Table Grapes	Lugs (20-21 lbs.**)
Hybrid Corn Seed	Bushels (56 lbs.)
Hybrid Sorghum Seed	Bushels (56 lbs.)
Macadamia Nuts	Pounds
Macadamia Trees	% Tree damage/Dollar *
Millet (Pilot)	Hundredweight
Mint (Pilot)	Pounds
Mustard (Pilot)	Pounds
Nursery	Dollar (Plant Value)
Oats	Bushels (32 lbs.)
Onions	Hundredweight
Peaches	Bushels (50 lbs.)
Peanuts	Pounds
Pears	Tons ***
Peas, dry	Pounds (60 lbs. per Bu.)
Peas, green	Pounds

* For Forage Seeding, the loss measurement is first based on the % of stand, and then the dollar loss is determined from this. For Tree Crops, the loss measurement for a non-Asiatic-Citrus-Canker (ACC) loss is first based on the % of tree damage, and then the dollar loss is determined from this. For trees for which ACC is a covered cause of loss and for which there is an ACC loss, the loss measurement is based on number of trees destroyed and then dollar amount determined from this.

** 20 lbs. in Arizona and Coachella Valley, CA district; 21 lbs. in all other CA districts.

*** Ton = 2,000 pounds

**** Loss measurement is first based on weight/capacity measurement, as shown, then is converted to dollars.

UNIT OF MEASURE OF PRODUCTION, BY CROP	
CROP NAME	UNIT OF MEASURE
Pecans (Pilot)	Pounds/Dollar **
Peppers	1 1/9 bushels (per box)
Plums	Lugs (28 lbs.)
Popcorn	Pounds
Potatoes (Northern and Central/Southern)	Hundredweight
Prunes	Tons *
Raisins	Tons *
Rangeland (GRP)	Pounds
Rice	Pounds (45 lbs. per bu.)
Rye	Bushels (56 lbs.)
Safflowers	Pounds (35 lbs.)
Soybeans	Bushels (60 lbs.)
Strawberries (Pilot)	Pounds/Dollars **
Stonefruit (Apricots) (Nectarines) (Freestone Peaches) (Proc. apricots and Proc. Peaches)	Lugs (24 lbs.) Lugs (25 lbs.) Lugs (22 lbs.) Tons *
Sugar Beets	Tons *
Sugarcane	Pounds
Sugarcane (Hawaiian)	Pounds
Sunflower Seed (Oil)	Pounds (29 lbs. per bu.)
Sunflower Seed (Non-oil)	Pounds (25 lbs. per bu.)
Sweet Corn (Processing)	Tons *
Sweet Corn (Fresh)	Crates (42 lbs.)
Sweet Potatoes (Pilot)	Hundredweight
Tobacco (Guarantee & Quota)	Pounds
Tomatoes (Processing)	Tons *
Tomatoes (Fresh & Fresh Guarantee)	Cartons (25 lbs.)
Walnuts	Pounds
(Cultivated) Wild Rice (Pilot)	Pounds (25 lbs. per bu. for MN & 29 lbs per bu. for CA.)
Winter Squash (Pilot)	Hundredweight/Dollar **
Wheat	Bushels (60 lbs.)

*Ton = 2,000 pounds.

**Loss measurement is first based on weight/capacity measurement, as shown, then is converted to dollars.