

United States
Department of
Agriculture

Federal Crop
Insurance
Corporation



Product
Development
Division

FCIC-25610-2

AVOCADO LOSS ADJUSTMENT STANDARDS HANDBOOK

1997 AND SUCCEEDING CROP YEARS

AVOCADO LOSS ADJUSTMENT STANDARDS HANDBOOK**SUMMARY OF CHANGES/CONTROL CHART**

Major Changes: See changes or additions in text which have been redlined. Three stars (***) identify information that has been removed.

- 1 Inserts:
 - A In section 7 -- change references to Product Development Division.
 - B In section 17, item B (4) -- inserts 4-digit crop code (0019) for avocados.
 - C In section 17, item B (34) -- a new term referring to "Line Net Unharvested Production."
 - D In section 18 C (1) -- inserts an additional line in appraised production calculations for "Line Net Unharvested Production" and renumbers the calculation steps.
 - E A new Exhibit 1, with corrected text.
- 2 Removes:
 - A In section 17, item A(8) -- removes reference to the LAM for "No Indemnity Due: claims."

AVOCADO LOSS ADJUSTMENT STANDARDS HANDBOOK

SUMMARY OF CHANGES/CONTROL CHART

CONTROL CHART FOR: AVOCADO LOSS ADJUSTMENT STANDARDS HANDBOOK FCIC-25610-2						
	SC Page(s)	TC Page(s)	Text Page(s)	Exhibit(s)	Date	Directive Number
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Inserts	1-2		1-6 25-26 35-36 45-46	1(53-54)	2-97 2-97 2-97 2-97 2-97	FCIC-25610-2 FCIC-25610-2 FCIC-25610-2 FCIC-25610-2 FCIC-25610-2
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FEDERAL CROP INSURANCE CORPORATION
WASHINGTON, D.C. 20250

FEDERAL CROP INSURANCE HANDBOOK		NUMBER: 25610-2
SUBJECT: AVOCADO LOSS ADJUSTMENT STANDARDS HANDBOOK FOR THE 1997 AND SUCCEEDING CROP YEARS	DATE: February 25, 1997	
	OPI: Product Development Division	
	APPROVED: <i>P.E. Waggoner</i> <i>for Tim B. Witt</i> Deputy Administrator, Research and Development Division	

PART 1 GENERAL

1 PURPOSE

This handbook identifies the crop specific standards (requirements) for adjusting Multiple Peril Crop Insurance (MPCI) losses in a uniform and timely manner. These standards, which include crop appraisal methods and claims completion instructions, supplement the general (not crop specific) standards for loss adjustment identified in the Loss Adjustment Manual (LAM), Directive 30010 (often referred to as LAM or M8-LAM in this and other directives).

2 SPECIAL INSTRUCTIONS

- A This standards handbook remains in effect until superseded. The issuance of an entire handbook will replace a previous handbook; handbook amendments or bulletins may supersede parts of a handbook.
- B Items or provisions that are not applicable to Catastrophic Risk Protection (CAT) coverage are identified with the following identifier: **(NACAT→ ←NACAT)**. The following general provisions do not apply to CAT:
- (1) Optional Units.
 - (2) High Risk Land Exclusion.
 - (3) Hail and Fire Exclusion provisions (also not applicable to limited buy-up).

3 OPERATING POLICY

Insurance providers must use this handbook as a basis for developing any appropriate loss adjustment procedures and training consistent with these standards. Insurance providers may find it necessary to provide additional internal guidelines or procedures for adjusting losses on their insurance contracts. Any additional guidelines or procedures will require FCIC approval unless otherwise provided in writing by FCIC. Where these standards are entry specific to Federal Crop Insurance or generic forms and organizational titles, insurance providers' forms and procedures are to comply with the standards in at least an equivalent manner.

4 ABBREVIATIONS

APH	Actual Production History
CAC	California Avocado Commission
CIH	Crop Insurance Handbook
CLAS	Crop Loss Adjustment Standards Handbook
FSA	Farm Service Agency
FCIC	Federal Crop Insurance Corporation
FCI-35	Actuarial documents, Rates and Rules
GLAS	General Loss Adjustment Standards (also LAM)
LAM	Loss Adjustment Manual (also GLAS)
MPCI	Multiple Peril Crop Insurance
NACAT	Not applicable to CAT coverage
RMA	Risk Management Agency
RPAM	Random Path Appraisal Method
SSAP	Standardized Season Average Price
USDA	United States Department of Agriculture

5 FORMS

- A Where FCIC-approved or FCIC-issued generic forms are mentioned, insurance providers are to either use forms (and FCIC-approved instructions for completing the forms), or are to use equivalent FCIC-approved forms. Without prior approval, insurance providers are authorized to use modified FCIC-approved or FCIC-issued generic forms and instructions if the only modifications are in the form number, provider name, or other cosmetic changes. In general, changes in the text are not considered to be cosmetic. Likewise, changes in the arrangement of information on a form are not considered cosmetic if they impact the calculations, or the legality or availability of the FCIC-required information.
- B General forms and manuals (or their equivalent) necessary for loss adjustment are identified in the LAM.

6 DEFINITIONS

A General (not crop-specific) terms and definitions relevant to avocado loss adjustment are identified in the GLAS.

B Terms and definitions specific to avocado loss adjustment and this handbook, which are not defined in this section, are identified as they appear in this text.

Amount of insurance per acre An amount determined by multiplying the approved average revenue per acre by the coverage level percentage the insured elects.

Approved average revenue per acre The average farm revenue minus the average county revenue plus the long term average county revenue.

Average county revenue per acre The amount determined by multiplying the county average yields for the years for which the insured provides APH yields, by the applicable standardized season average prices as shown in the County Actuarial Table, and divided by the number of years for which the insured provides APH yields.

Average farm revenue per acre An amount determined by multiplying the insured's APH yields for the years for which the insured provides yields, by the standardized season average prices for the same crop years, and dividing the result by the number of years that the insured provides yields.

Crop year The period beginning December 1 of the calendar year prior to the year in which the avocado trees normally bloom and extending through November of the year following such bloom, and will be designated by the calendar year following the year in which avocado trees normally bloom (see Exhibit 4).

Direct marketing	Sale of the insured crop directly to consumers without the intervention of an intermediary such as a wholesaler, retailer, processor, shipper, or buyer. Examples of direct marketing include selling through an on-farm or roadside stand, farmer's market, and permitting the general public to enter the groves for the purpose of picking all or a portion of the crop.
Long term average county revenue	The average of county revenues, computed by multiplying the standardized season average prices by the county average yield for years since 1977, and is shown in the County Actuarial Table.
Loss of revenue	An insurable cause of loss that occurs when the standardized season average price per pound causes the farm revenue to drop below the amount of insurance.
Marketing year	The period from November 1 of a calendar year through October 31 of the succeeding calendar year and designated by the succeeding calendar year.
Set out	Transplanting an avocado tree into the grove.
Standardized season average price	The average price per pound determined by dividing the value of all 'Hass' avocados in the state by the pounds of 'Hass' avocados produced in the state for a marketing year, as reported by the California Avocado Commission and may be adjusted by FCIC to state prices based on current dollar values.
Statement of Facts	A form used to record facts.
Stump(ing)	Reducing trees to a height of 4 to 6 feet by removing all branches and foliage.

7 RESPONSIBILITIES**A FCIC Product Development Division**

- (1) Establish the minimum standards and guidelines for loss adjustment.
- (2) Unless otherwise specified, review and approve all insurance provider loss adjustment procedures and forms prior to their use.
- (3) Provide guidance and clarifications, as needed, regarding these standards.

B Insurance Providers

- (1) Comply with and implement the loss adjustment standards (requirements) established by FCIC, through procedures and forms approved by the Product Development Division, or as otherwise specified in writing by FCIC.
- (2) Ensure that all documentation, determinations, and calculations are completed as specified in these standards.
- (3) Provide input to FCIC regarding the loss adjustment standards.
- (4) Advise FCIC of impending situations which may necessitate the development of procedures, forms, or calculations that are different than those identified in the standards issued by FCIC.
- (5) Comply with other requirements issued by FCIC in the administration of contracts between the insurance provider and FCIC.
- (6) Ensure that the required information is provided on the specific forms, another form or printout containing the information, or on a Statement of Facts attached to the appropriate form.
- (7) In addition to the responsibilities identified in the LAM, determine whether contract provisions or requirements for avocados apply to the insured, and if so, whether they have been complied with by the insured.

8 (RESERVED)**9 (RESERVED)**

(RESERVED)

- (7) For claims involving a Certification Form, (when all the acreage on the unit has been appraised to be put to another use), handle in accordance with the LAM. Enter "CERTIFICATION FORM" in the heading of the claim form and "C" in item 24.
- ***
- (8) Each "No Indemnity Due" claim must be verified by an APPRAISAL or NOTIFICATION from the insured that the amount of revenue exceeded the dollar amount of insurance.
- (9) The adjuster is responsible for determining if any of the insured's requirements under the notice and claim provisions have not been complying with. If any have not, the adjuster should contact the insurance provider.
- (10) Verify or make the entries on the claim form as instructed in Subparagraphs B, C, and D for Parts I, II, and III.
- (a) Entries and provisions which are not applicable to catastrophic coverage have been identified herein, although some may have been missed.
- (b) All entries must be clearly PRINTED IN INK or TYPEWRITTEN.
- (c) Item numbers on the preparation instructions correspond with the item numbers on the claim form.
- (d) Instructions designated "P" apply to preliminary inspections only.
- (e) Instructions designated "F" apply to final inspections only.
- (f) Undesignated instructions apply to preliminary and final inspections.
- (11) If corrections on the original claim form are not legible, prepare a replacement claim form and void the original. Date, initial, and file the voided copy in the insured's folder.

B Part I - Notice of Damage

- (1) General Information
- (a) If notice of damage was given and "No Inspection" is necessary, enter in the narrative the unit number(s), "No Inspection," the date, and your initials. The insured's signature is not required.

- (b) If none of the units require an immediate inspection, enter the unit number(s), "No Inspection," the date, and your initials, and return the file to the service office. The insured's signature is not required.
- (c) When a notice of damage was filed, the insurance provider should have already completed Part I of the claim form for one unit. For cases where damage was reported on more than one unit, the insurance provider should have recorded the remaining DAMAGED unit(s) in item 15.

(2) Verify or Make the Following Entries.

<u>Standard Items</u>	<u>Information Required</u>
1 Insured's Name	Name of the insured that identifies EXACTLY the person (legal entity) to whom the policy is issued.
2 Policy No.	Insured's assigned policy number.
3 Unit No.	Four-digit unit number from the acreage report.
4 Insured Crop	"Avocados" (0019).
5 Crop Year	Crop year for which the claim is filed, as defined in the policy.
6 Conflict	"X" ONLY if the insured is an insurance provider employee, agent, contractor or representative.
7	MAKE NO ENTRY.
8 Assignment	"X" ONLY if an assignment of an AVOCADO indemnity is in effect for the CROP YEAR.
9 Transfer	"X" ONLY if a transfer of right to an AVOCADO indemnity is in effect for the UNIT for the CROP YEAR. Refer to the LAM.
10 Contact	Legal description or location where the insured or the insured's representative can be reached.
11 Phone No.	Telephone number (including area code) where the insured or the insured's representative can be reached.
12 Companion Contract	Entries in this item are for the purpose of ensuring that losses are adjusted timely and equitably between companion contracts, and that duplication of effort is minimized.

33 **Stage**

- P MAKE NO ENTRY.
- F STAGE abbreviation(s) as shown below.

<u>STAGE</u>	<u>EXPLANATION</u>
"P"	Acreage abandoned, damaged solely by uninsured causes or for which the insured failed to provide records of production which are acceptable to the insurance provider.
"H"	Harvested.
"UH"	Unharvested or other use with consent.

34 **Intended or Final Use**

- P Enter intended use from the abbreviations shown below.
- F Verify any "Intended Use" entry. If the final use of the acreage wasn't as indicated, strike out the original line and initial it. Enter all data on a new line showing the correct "Final Use."

<u>USE</u>	<u>EXPLANATION</u>
"WOC"	Without Consent
"SU"	Solely uninsured
"ABA"	Abandoned
"H"	Harvested
"UH"	Unharvested

Enter the **Line Net Unharvested Production** from appraisals. This entry is determined by multiplying item 28 acreage times the sum of all appraisals for the line in whole pounds (See section 13 for additional instructions).

35 **Potential Production**

- P Per-acre appraisal in whole pounds per acre of POTENTIAL production for acreage in item 27. (See section 13 for additional instructions.)
- F Per-acre appraisal in whole pounds of POTENTIAL production for acreage in item 28.

Note: If there is no potential on UH acreage (item 33) enter "0."

36 Hail/Fire

- a **(NACAT/Limited)** → Make an entry, as described below, ONLY IF ALL of the following conditions have been met:
- (1) Hail or fire damage has occurred on the unit;
 - (2) Hail and fire exclusion is in effect; and
 - (3) The original amount of hail or fire liability has NOT been reduced.
- b Enter the appraisal determined as follows:
- (1) Determine the weighted AVERAGE (based upon gross acres) percent of hail or fire damage (from the hail or fire claim) for the unit.
 - (2) For each coverage level, the deductible is 100% minus the coverage level % (e.g., 100% - 65% = 35%). Subtract the percent deductible from the average percent of hail or fire damage (e.g., 40% hail damage - 35% deductible = 5%).
 - (3) Multiply the remainder of step 2 times the applicable 2-decimal level factor to determine a 4-place factor. Determine the 2-place factor as follows: 100 divided by the coverage level percent in step 2 (e.g., $100 \div 65 = 1.54$ for the 65% coverage level). Determine the 4-place factor as follows: $.05 \times 1.54 = .0770$.
 - (4) Multiply the factor determined in step 3 times the per-acre approved yield times the coverage percent for the acreage, and enter the result in item 36 of the claim form. (e.g., Approved Yield of 6000 pounds @ 65 percent coverage level = 3900 pounds \times .0770 will equal a 300 pound appraisal). Make no entry for "0" appraisals.

Make NO ENTRY in item 37 for such hail/fire damage. Appraisals for hail/fire damage (when hail/fire exclusion is in effect and the original hail/fire liability HAS been reduced) and for other uninsured causes are, however, required in item 37. **←NACAT/Limited**

- C The form headings are shown above the column entries in the examples below. Revised column usages are shown below the column entries.

(1) Line Net Unharvested Production Calculations

Example

Final Acres		Area No.	Share	Practice	Type Class Variety	Stage and Intended or Final Use		Appraisal Per Acre			Adjustment to Appraised Production				Standardized Season Average Price**
Whole	10ths					Stage	Intended or Final Use	Potential	% Hail Damage	Uninsured Causes	% Shell	% Mois	Test Wt.	Factor or Contract Price	
28		29	30	31	32	33	34	35	36	37	38	39	40	41	42
15	0		1.000	002	055	UH	UH 1202	89							.90
5	0		1.000	002	055	H	H 11970	2010		650					.90
							Use/ Net Prod			Lbs Appr*					

*Also calculate and include appraisals for Hail/Fire Exclusion if applicable. (Additional Buy-up only) See crop handbook.

**Standardized Season Average Price (SSAP) per pound for the avocado type provided by the CAC and announced by FCIC.

Calculations:

Step	Calculation	Decimal	Entry/Item	Rounding of Result	Rounded Result for: (Line 1)	(Line 2)
1	NA	(x.)	Potential/35	(x.)	89	2010
2	Times	(.xx)	SSAP/42**	(.xx)	80.10	1809.00
3	NA	(x.)	Unins Causes/37	(x.)		650
4	Times	(.xx)	SSAP/42**	(.xx)		585.00
5	Plus	(.xx)	Result step 2	(.xx)	80.10	2394.00
6	Times	(.x)	Acres/28	(x.)	1202	11970
7	Line Net Unharvested Production			(x.)	1202	11970

Enter the Line Net Unharvested Production (from step 7) in item 34 of the line.

(2) Line Net Harvested Production Calculations

- (a) Line Gross Harvested Production. This production must now be calculated by the adjuster by following the instructions below.
- (b) Enter in item 57, two-decimal Standardized Season Average Price per pound for sold harvested production. Zero-value entries for unsold production are valid but the column 51 entry will be used to calculate the value, by practice, for the unit.

Example

Bu. Lbs. Cwt. or Tons	Adjustments to Harvested Production							Pro. Not to Count
	% Shell or Sugar	% Mois.	Test Wt.	% Dock	Value	Mkt. Cont. Price	Factor	
51	52	53	54	55	56	57	58	59
14650					13185	.90		
27500					24552	.90		220
Gross Harvested Production					Line Net Harv Prod	Standardized Season Average Price		

Calculations:

Step	Calculation	Decimal	Entry/Item	Rounding of Result	Rounded Result for:	
					(Line 1)	(Line 2)
8	NA	(x.)	Gross Lbs/51	(x.)	14650	27500
9	Minus	(x.)	Pro Not to Ct/59	(x.)		27280
10	Times	(.xx)	SSAP/57	(.xx)	13185.00	24552.00
11	Line Net Harvested Production			(x.)	13185	24552

Enter the Line Net Harvested Production (from step 11) in item 56 of the line.

(3) Unit Net Harvested Production Calculation

(a) Sum all the Line Net Harvested Production entries in item 56, and enter result (identified by type as "Harv Prod") in item 60.

(b) Varying shares in the unit.

If varying shares are entered in Part III of the claim form, the harvested production is to be totaled (and identified by type as "Harv Prod") separately for each share. Entries represent 100% share.

(4) Unit Net Production Calculation

(a) Sum all Line Net Unharvested Production entries in item 34.

(b) Add the Line Net Unharvested Production total in (4 a) to the Unit Net Harvested Production in (3 a), and enter the result (identified as "Net Prod") in item 60.

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