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**UNDERWRITING STANDARDS
CHERRY DOLLAR PLAN PILOT PROGRAM**

- 1 The FCIC 18010 Crop Insurance Handbook (CIH), in general applies to Cherries.
 - A Cherries are a Category D Crop.
 - B The changes/additions/references to the CIH described here apply to Cherries in the sections noted.
- 2 Sections 1 - 3 of the CIH apply to Cherries except where related to APH yield reporting or approval processes for other than Category D crops, unless related to instructions provided below. [e.g. definition of Production Reporting Date (PRD) applies as related to 5B4].
- 3 **(NACAT→Cherry Modified Minimum Value Option)**, FCIC approved Cherry Modified Minimum Value Option.
 - (a) Permits the insured to select either Option I or Option II of the Modified Minimum Value Option for Cherry types given by the Special Provisions and for which the actuarial table designates rates.
 - (b) If an option is elected, new insureds must elect the option on their application. If a carryover insured, the option must be elected on a contract change form and submitted on or before the sales closing date for the initial crop year in which the insured wishes the option to be effective. This is a continuous option and may be canceled in accordance with the cancellation provisions in the policy. Cancellation dates are given by the Cherry Pilot Crop Provisions.
 - (c) FCIC approved Cherry Crop Provisions must be in force and all the terms and conditions of the policy adhered to.
 - (d) Option I and II of the Modified Minimum Value Option allow the total value of the harvested production to be determined as follows:
 - (1) For sold production, the dollar amount obtained by subtracting the allowable cost contained in the Special Provisions from the average net price received for each pound of cherries (this result may not be less than the modified minimum value option price contained in the Special Provisions for any pound of cherries), and multiplying this result by the pounds of cherries sold; and
 - (2) For marketable production that is not sold, the dollar amount obtained by multiplying the pounds of such cherries on the unit by the minimum value shown on the Special Provisions that applies without regard to the choice of the modified minimum value option. Harvested production that is damaged or defective due to insurable causes and is not marketable will not be counted as production.
←NACAT)
- 4 Procedures for perennial crops in Sections 5 and 7 of the FCIC 18010 (CIH) that refer to establishing and verifying individual yield histories are generally not applicable to Cherries. Differences are itemized below and indicated on the CIH Procedure Comparison & Reference Guide. The following procedures are to be used in conjunction with and in addition to the referenced paragraphs contained in the indicated sections of the CIH. Not applicable = NA.

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A UNDERWRITING & APH RESPONSIBILITIES

- 5A (1) Inform applicants/insureds of requirement to provide information for policy underwriting.
- 5A (9) Applies.
- 5B (4) Applies.
- 5D (6) Applies.

B CATEGORY C APH CROPS (PERENNIAL CROPS)

7D (3) (d) Interplanted cherry acreage

- 1. Blocks consisting of 100% cherry trees or a mixture of producing, young, dead or missing cherry trees shall be measured according to procedure in the Crop Insurance Handbook.
- 2. Blocks of cherry trees primarily, with other significant amounts of apple, pear, or peach trees, etc.; use net acres for measurement of the block if the other tree crop acreage is 10% or greater.

7E Producer's Pre-Acceptance Worksheet (PAW) - Required (See CIH Section 7E for instructions).

- (3) Completion Instructions. All CIH instructions for PAW completion that are not related to APH apply. The following supplemental instructions also apply.

Item No. (10):

Instructions relating to the block production worksheet are NA for Cherries.

Item No. (13):

Enter both the variety and rootstock.

Item No. (20):

Insurability requirements are specified on the Special Provisions.

Item No. (21):

Enter the highest yield (pounds per acre) during one of the most recent three years (five years in Michigan).

Item No. (22):

Relate this question to the entries in column 21.

Item No. (25):

CERTIFICATION STATEMENT: Edit the second sentence by striking 'may result in a recomputation of the approved APH yield' and inserting 'may result in a lower amount of insurance per acre or a declaration of uninsurable'.

7F Pre-Acceptance Field Inspections.

Instructions for APH and/or RMA/RSO yield determination in this section are not applicable.

- (1) (a) Applies.

- (2) Pre-Acceptance Field Inspection Selection Criteria. (c) through (e) apply.

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In addition to (c) through (e):

- (g) The percent stand reported by the producer (column 17 of the FCI-12-PAW) is less than 80 percent in Michigan, Montana, Oregon, and Washington.
- (h) The insurance provider may conduct additional inspections on orchards with fewer than 5 acres (up to 10 percent of the policies).

If selected for field inspection by the above criteria, a new inspection is required only if the most recent pre-acceptance field inspection is more than FIVE years old.

- (5) (a) 2 Inspectors must complete orchard inspections and forward all documents to insurance providers by 30 calendar days after the PRD.

7G The Pre-Acceptance Perennial Crop Inspection Report and Crop Addendum Worksheets (FCI-12-P).

Instructions for APH and/or yield determination are NA for Cherries.

- (2) Item No. (27)
Change column headings in A.(1) to Less Than 40%, 40 - 59%, 60 - 79%, and 80 - 100%. Rows A.(2) and (3) are NA.

Item No. (29)
Use yield shown in Block 21 of the PAW.

- (3) Crop Addendum Worksheets
Use the Almond Crop Addendum Worksheet (1H Exhibit 16 Almond/Citrus/Figs/Fresh Plums/Prunes/Stonefruit/Walnuts).

Item No. (13)
Describe the varietal planting pattern.

7H - 7L: NA for Cherries.

5 Category D, Dollar Plan Crops

- 8 B(1) **Eligible Crops:** Cherries, . . . (See instructions in Section 7 (D) - (G) of the CIH which apply for Cherries).

- 8 B(2) **Plan Description.**
This plan offers the producer the opportunity to select one of several dollar amounts of insurance per acre. The available coverage elections and the rates are indicated on the actuarial table. Use any maps or supplemental listings included in the actuarial materials to determine the coverage options and premium rates.

(NACAT→NOTE: Production reports are not required to qualify for optional units. Exception: Insured cherry acres may be divided into more than one unit if, for each proposed (optional) unit:

- 2(a) Records. The insured can provide acceptable written, verifiable records of cherry production for at least the previous crop year; and
- 2(b) Non-contiguous Land. The acreage of insured cherries is located on non-contiguous land, separated by tracts of other ownership. Optional units are not allowed by section, section equivalent or FSA Farm Serial Number. ←NACAT).
- 2(c) Supporting Evidence for Use When Verifying if Acreage Meets the Minimum

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Production Requirements for Insurability.

Acceptable Supporting Documentation of Prior Production.

Cooperative pool statements, pool summary statements, receipts from packing houses, processors, or other buyers showing quantities (delivered and sold) and preharvest estimates of production certified by neutral third parties not involved in the insurance contract are acceptable supporting documentation. For direct sales to consumers, a complete daily accounting of harvested production is acceptable to verify the amount of production. Pick records are acceptable only if they meet the criteria outlined in the CIH in Section 10 C(4).

Acreage: The same as that used for reporting acreage for insurability, according to CIH, section 7 D (3).

- 2(d) In Michigan, Montana, Oregon and Washington the amount of insurance available is limited for units where live trees based on the initial (or acceptable adjusted) planting density occupy less than 80 percent of the unit acreage (item 27 of insured's Pre-Acceptance Perennial Crop Inspection Report). An example of an acceptable adjusted planting density is when the insured initially planted with 20 feet between rows and 10 feet tree spacing within rows and removed every other tree in the 7th year as the trees became crowded; i.e. the planting density is adjusted from 218 trees per acre (43560 divided by 20 divided by 10) to 109 trees per acre (43560 divided by 20 divided by 20). For units with reduced plant density, coverage is limited during acreage reporting by using the applicable 'Guarantee Reduction Factor' shown below:

<u>Percent Stand</u>	<u>Selected Coverage Level (%)</u>	<u>Guarantee Reduction Factor</u>
80 to 100	50 to 75	1.000
60 to 79	75	0.867
	70	0.929
	50 to 65	1.000
40 to 59	75	.667
	70	.714
	65	.769
	60	.833
	55	.909
	50	1.000
Less than 40	50 to 75	Uninsurable

(For California and Utah, the Guarantee Reduction Factor will always be 1.000 because Percent Stand limitations do not apply). Companies should report the Guarantee Reduction Factor in the Guarantee Reduction Field in the 11 record. For DAS purposes, report 1.000 as 000 because there are only three digits in the Guarantee Reduction Field and it will be edited to 1.000.

- 2(e) Any acreage of sweet cherries is determined to be grown for fresh market

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if the acreage consists of at least 66% fresh marketable varieties intended to be harvested and delivered for fresh market at the time acreage is reported for insurance (tree count basis) OR if at least 66% of the production from the acreage is expected to be harvested for fresh market (verifiable by current year production contract or historical records of delivery for fresh market purposes. (NOT APPLICABLE IN MICHIGAN).

Acreage of sweet cherries not meeting the above guidelines is not determined to be for fresh market. Insurance providers should instruct agents to advise prospective insureds of the above determination for insurability and acreage reporting purposes.

6 **CIH Sections 9, 10, & 14 DO NOT APPLY TO CHERRIES.**

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CIH PROCEDURE COMPARISON & REFERENCE GUIDE

APH (MPCI)	CHERRIES	CIH REFERENCES
Approved Yields	No	Not Applicable (NA)
Preliminary Yields	No	NA
Acreage Determinations	Yes	See CIH Sec 7 D(3)
Base Periods	No	NA
Production Reports by Unit (Basic or Optional)	No	NA
Separate APH by P/T/V	No	NA
Separate APH by Map Area	No	NA
“T” Yields (FCI-35)	No	NA
Variable T Yield	No	NA
Assigned Yields	No	NA
Temporary Yields	No	NA
Block Production Worksheets & Unit Summary Worksheets	No	NA
Yield Descriptors	No	NA
Cups, Caps, Yield Floors	No	NA
High-Risk Land Exclusion	No	NA
Added Insurable Acres	No	NA
Added Land	No	NA
Production Reporting Date	Yes (ForPAW)	NA(See CIH SEC 7E - like PAW)
Use of Another Producer’s Records	Yes	See CIH Sec 10 E
Producer’s Pre-Acceptance Worksheet	Yes	See CIH Sec 7E and Separate Instructions by Crop
Pre-Acceptance Perennial Crop Field Inspection	Yes	See CIH Sec 7F/G and Separate Instructions by Crop
Crop Addendum	Yes	See CIH Sec 7G, Exhibit 16 and Separate Instructions by Crop
Mutual Consent Cancellation	No	NA
Liability Limitations	Yes	See Section 8B (2) (d) insert for Cherries
Separate Instructions by Crop	Yes	See attached FCIC 18010 Section insert for Cherries

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Example Premium Calculation On Unit Basis CHERRY DOLLAR PLAN

Base Premium

1. Enter the selected **Fixed Dollar Amount of Insurance**, from the actuarial document (Assume \$2,100 per acre) 1.
2. Enter the selected **Coverage Level**, corresponding with the selected amount of insurance (.75, .70, .65, .60, .55, or .50). 2.
3. Enter the applicable **Guarantee Reduction Factor**, based on the percent stand of live trees listed in the underwriting guide. Assume 65% stand and .75 coverage level, use 0.867. (The Guarantee Reduction Factor may not exceed 1.000. In California and Utah, the Guarantee Reduction Factor will always equal 1.000). 3.
4. Enter the **Base Premium Rate**, for the selected coverage level (item 2). 4.
5. Enter the **Insurable Acres**, for the appropriate type and practice. 5.
6. Enter the **Crop Share**, for the acreage. 6.
7. Calculate the **Reduced Amount of Insurance (liability per acre)**, item 1 times item 3. ($\$2,100 \times 0.867$) 7.
8. Calculate the **total Base Premium**, item 7 times item 4 times item 5 times item 6. ($\$1,821 \times .050 \times 100 \times 1.000$) 8.

Producer Premium:

9. Enter one minus the **Premium Subsidy Factor** from the Subsidy and Fee Table on the FCI-35 corresponding to the selected coverage level ($1.00 - 0.55 = 0.45$) 9.
10. Calculate the **Estimated Producer Premium**, determined by multiplying item 8 times item 9. ($\$9,105 \times 0.45$) 10.

This worksheet is intended to assist only in estimating Producer Premium.