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Federal Crop
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**POST-
APPLICATION
COVERAGE
ENDORSEMENT
LOSS
ADJUSTMENT
STANDARDS
HANDBOOK**

**2022 and Succeeding Crop
Years**

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

TITLE: POST-APPLICATION COVERAGE ENDORSEMENT LOSS ADJUSTMENT STANDARDS HANDBOOK	NUMBER: FCIC-20660L
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SUBJECT: Provides the procedures and instructions for administering the Post-Application Coverage Endorsement (PACE) crop insurance program.	OPI: Product Administration and Standards Division
	APPROVED: <i>/s/ Richard Flournoy</i> Deputy Administrator for Product Management

REASON FOR ISSUANCE

This is the first issuance of FCIC-20660L Post-Application Coverage Endorsement Loss Adjustment Handbook.

**POST-APPLICATION COVERAGE ENDORSEMENT LOSS ADJUSTMENT STANDARDS
HANDBOOK**

CONTROL CHART

Post-Application Coverage Application Loss Adjustment Standards Handbook

	TP Page(s)	TC Page(s)	Text Page(s)	Exhibit Number	Exhibit Page(s)	Date	FCIC Number
Current Index	1-2	1	1-12	1-5	13-23	12-2021	FCIC-20660L

FILING INSTRUCTIONS:

This handbook is effective for the 2022 and succeeding crop years.

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STANDARDS HANDBOOK
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PART 4 CLAIMS PROCEDURE

31 General Claim Information

A. AIP's Responsibilities

The AIP is responsible for ensuring that:

- (1) documentation of actions taken by the adjuster or AIP for verification and review of the PACE claim is retained by the AIP.
- (2) before processing a PACE payment, the correct PACE guarantee is used to process the PACE claim.

B. Loss Adjustment Responsibilities

The adjuster is responsible for verifying:

- (1) The insured was physically prevented from post-application of nitrogen due to an insured cause of loss and, if applicable, a visual inspection as described in Section 23(F);
- (2) The number of prevented post-application acres, and that those acres are eligible for PACE; and the units which the insured practices post-application nitrogen practice cover a majority of those acres (as determined by if at least 50% of the acres in the unit utilize the post-application nitrogen practice);
- (3) The acceptable records (e.g., purchase receipts) that show the name of the insured, date of purchase, type of fertilizer purchased, brand name (if applicable), the nitrogen, phosphorus, potassium content, and the total amount of fertilizer, and the number of acres and each date on which it was applied (Exhibit 5 of the PACE ISH and Exhibit 3 of the PACE LASH); and
- (4) All other PACE requirements have been met.

32 Payment Determination

A. The Guarantee

The guarantee for PACE acreage is determined separately from the guarantee of the underlying insurance policy.

32 Payment Determination (Continued)

B. PACE Payment Claim

When preparing a claim for a PACE payment, the acres on which the pre-application of nitrogen was applied and the acres in which the post-application of nitrogen was prevented must be shown on the Production Worksheet.

Example: If 70 acres has pre-application of nitrogen applied and 30 acres were prevented from applying the post-application of nitrogen, the Production Worksheet will be completed as follows: There will be one line with the 70 pre-application acres and a separate line with the 30 acres prevented from post-application of nitrogen.

33 PACE Payment Calculation

A. Eligible Acreage Determination

Determine the number of acres in each unit on which pre-application nitrogen was applied but the post-application was prevented by an insurable cause of loss (PACE ISH Exhibit 4).

B. Determination of Final Post-Application Percent and PACE Loss Factor

If the insured's actual pre-plant nitrogen exceeds (1) the maximum nitrogen rate times (2) the difference between one and the declared post-application percent, by more than 5%, the Final Post-Application Percent should be recalculated and rounded down to the nearest 5%. The Final PACE Loss Factor should then be referenced with the Final Post-Application Percent.

Example: An insured has an approved yield per acre of 200 bushels. The maximum nitrogen per acre is $200 \times 1.2 = 240$ lbs. N/acre. The declared post-application percent is 30% of 240, and the actual total nitrogen applied per acre is 180 lbs. N/acre on PACE loss acres. The Final Post-Application Percent is equal to $(1 - [180 / 240]) = 25\%$. Since the Final Post-Application Percent does not match the declared post-application percent, the loss factor must be adjusted downward to reflect the actual post-application percentage. The new loss factor is 17% (at 25% post-application), rather than the original 18% (at 30% post-application). Actual loss factors are found in the corresponding actuarial documents (AD).

C. Determinations of the PACE Indemnity and PACE Offset

- (1) PACE losses are only paid on affected PACE loss acres in PACE insured units; therefore, the unit structure does not affect the total indemnity payment on insured acres. The preliminary PACE indemnity is calculated by:
 - (a) Multiplying the approved yield by the greater of the harvest price or projected price defined in the underlying insurance policy;
 - (b) Multiplying the result of (a) by the insured's PACE loss acres;

33 PACE Payment Calculation (Continued)

- (c) Multiplying the result of (b) by the insured's PACE coverage level election percent;
 - (d) Multiplying the result of (c) by the insured's share; and
 - (e) Multiplying the result of (d) by the final PACE loss factor.
- (2) The amount of payment owed under this Endorsement may be reduced by a PACE offset in the event an indemnity is also owed on the underlying insurance policy and exceeds the underlying insurance policy deductible., the PACE offset is calculated by:
- (a) Subtracting the underlying insurance policy coverage level from one;
 - (b) Multiplying the result of (a) by the approved yield;
 - (c) Multiplying the result of (b) by the greater of the projected or harvest price defined in the underlying insurance policy;
 - (d) Multiplying (c) by the insured PACE acres;
 - (e) Multiplying (d) by the share to get the underlying insurance policy deductible; and
 - (f) Subtracting (e) from the PACE indemnity. If this is greater than zero, and your underlying insurance policy has paid an indemnity on those PACE loss acres, then the PACE offset is equal to the lesser of this result or the indemnity on your underlying insurance policy.

Example: Preliminary PACE Indemnity

The insured was prevented from post-application of nitrogen on 100 acres. The insured has an approved yield of 200 bushels/acre. The greater of the projected price and harvest price is \$4.00. The insured elects 90 percent PACE coverage level, has 100% share, and has a final PACE loss factor of 17%. The harvest price is less than the projected price.

$$200 \text{ bushels/acre} \times \$4.00/\text{bu.} = \$800 \text{ /acre}$$

$$\$800/\text{acre} \times 100 \text{ acres} = \$80,000$$

$$\$80,000 \times 90\% \text{ coverage} = \$72,000$$

$$\$72,000 \times 100\% \text{ share} = \$72,000$$

$$\$72,000 \times 17\% \text{ loss factor} = \$12,240 \text{ preliminary PACE indemnity}$$

33 PACE Payment Calculation (Continued)

Example: Final PACE Indemnity and PACE Offset

Using the example above, the insured elected an 85 percent coverage level on their underlying insurance policy, and the underlying policy is YP, and the projected price is \$4. Suppose the final yield is 100. The harvest price is less than the projected price. The PACE offset and final PACE indemnity is calculated as follows:

$$100\% - 85\% = 15\% \text{ (or } 0.15) \text{ underlying deductible percent}$$

$$0.15 \times 200 \text{ bu./acre} = 30 \text{ bu./acre}$$

$$30 \text{ bu./acre} \times \$4.00/\text{bu.} = \$120/\text{acre}$$

$$\$120/\text{acre} \times 100 \text{ acres} = \$12,000$$

$$\$12,000 \times 1.00 \text{ share} = \$12,000$$

$$\$12,240 - \$12,000 = \$240 \text{ (preliminary PACE offset)}$$

$$\text{YP Indemnity} = \$28,000$$

The preliminary PACE indemnity is \$12,240, and the preliminary PACE offset is \$240. The YP indemnity is greater than zero, therefore the final PACE offset is the lesser of \$240 and the YP indemnity of \$28,000. Therefore, the indemnity for PACE will be reduced by up to \$240. The final PACE indemnity is thus $\$12,240 - \$240 = \$12,000$.

34-50 (Reserved)

Photograph of Nitrogen Stress (Continued)



Source: <https://extension.tennessee.edu/publications/Documents/W976.pdf>



Source: <https://extension.sdstate.edu/sites/default/files/2019-09/S-0003-23-Corn.pdf>

