

United States
Department of
Agriculture



Federal Crop
Insurance
Corporation



Risk
Management
Agency



Product
Administration and
Standards Division

FCIC 24280

COTTONSEED (PILOT) ENDORSEMENT INSURANCE STANDARDS HANDBOOK

2011 and Succeeding Crop Years

(THIS PAGE INTENTIONALLY LEFT BLANK)

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

TITLE: Cottonseed (Pilot) Endorsement Program Insurance Standards Handbook	NUMBER: 24280
EFFECTIVE DATE: September 27, 2010	ISSUE DATE: September 27, 2010
SUBJECT: Cottonseed (Pilot) Program Underwriting Standards for the 2011 and succeeding crop years	OPI: Product Administration and Standards Division
	APPROVED: DATE: /s/ Tim B. Witt September 24, 2010 Deputy Administrator, Product Management

Reason for Issuance

This handbook provides the official FCIC-approved 2011 and succeeding crop years underwriting and administration standards for the Cottonseed (Pilot) Endorsement. All approved insurance providers electing to offer the Cottonseed (Pilot) Endorsement must utilize these standards.

COTTONSEED (PILOT) ENDORSEMENT PROGRAM

INSURANCE STANDARDS HANDBOOK

TABLE OF CONTENTS

	Page No.
Part 1 General Information and Responsibilities	
1 General Information.....	1
2 Responsibilities.....	2
3-20 (Reserved)	
Part 2 Eligibility	
21 Cottonseed (Pilot) Program.....	3
22-30 (Reserved)	
Part 3 Applicability of Handbooks	
Section 1 Crop Insurance Handbook (CIH)	
31 General Information.....	6
32 Specific Information Regarding the CIH.....	6
33-35 (Reserved)	
Section 2 Prevented Planting Loss Adjustment Standards Handbook	
36 Additional Information to the Prevented Planting Handbook (FCIC-25370) for Cottonseed Only.....	9
Section 3 Loss Adjustment Manual Standards Handbook	
37 Supplemental Instructions for the AUP and ELS Cotton Loss Adjustment Standards (FCIC-25090 (11-2010)).....	9

**COTTONSEED (PILOT) PROGRAM
INSURANCE STANDARDS HANDBOOK**

TABLE OF CONTENTS

	Page No.
38-39 (Reserved)	
40 Examples of Calculation of Guarantee.	12
42-43 (Reserved)	
44 Examples of Calculation of Premium.	12
45-47 (Reserved)	
48 Sample Indemnity Calculations.	12
49-99 (Reserved)	
Exhibits	
1 Acronyms	
2 Definitions	

Part 1 General Information and Responsibilities

1 General Information

A. Purpose

The Cottonseed (Pilot) Underwriting Guide provides instructions for establishing coverage in accordance with the Cottonseed (Pilot) Endorsement. This Handbook supplements the Crop Insurance Handbook (CIH) (11-18010) and the Loss Adjustment Manual (LAM) (FCIC 25010 02-2010) via exceptions, changes, and additions which are included in this underwriting guide. If there is a conflict between the underwriting guide and the CIH or the LAM, the underwriting guide will control.

B. Source of Authority

The Cottonseed (Pilot) is a product based on approval by the FCIC Board of Directors of a submitted development to extend and enhance the coverage for producers of AUP and ELS cotton. This handbook provides the FCIC-approved procedures for administering the Pilot.

C. Duration

The Pilot will terminate at the end of the 2015 crop year, unless cancelled earlier or extended by FCIC.

D. AIP Option to Offer

Because it is a pilot, AIPs are not required to offer the Cottonseed (Pilot) Program to potential insureds. Accordingly, each AIP must determine whether it will offer the Pilot in the pilot area. AIPs that elect to offer the Pilot must offer it to all eligible insureds in the pilot area, and must administer the program according to the procedures in this handbook.

E. Pilot Area

The Pilot Cottonseed Endorsement Program is available to producers when a conversion factor and type are included in the actuarial documents for the county.

F. Applying for Cottonseed (Pilot) Program

Use the standard application. The application must indicate the insured has selected the Cottonseed (Pilot) Endorsement along with the other required information.

G. AIPs and Agents

For the purposes of the Pilot, AIPs may authorize contracted agents to perform all functions and actions authorized by the Crop Insurance Handbook as supplemented by the instructions in this Guide.

2 Responsibilities

A. AIP Responsibilities

AIPs electing to offer the Cottonseed (Pilot) insurance program must:

- offer it to all eligible producers in the pilot area.
- provide each insured a copy of the insurance documents

B. Insured's Responsibilities

To be eligible for the Cottonseed (Pilot) insurance program, insureds must:

- elect the option on the application or contract change form
- comply with all terms and conditions of the Crop Provisions and the Endorsement

3-20 (Reserved)

Part 2 Eligibility

21 Cottonseed (Pilot) Program

A. Applicability

All acreage that meets the requirements for insurability for cotton lint is eligible for cottonseed coverage.

B. Eligibility Requirements

1. To be eligible for the Pilot Cottonseed Endorsement Program, all of the following must be met.
 - The insured must have either a Cotton Crop Provisions or an ELS Cotton Crop Provisions in force;
 - The insured must comply with all terms and conditions of the respective Crop Provisions and the Endorsement
2. Acreage is not eligible for insurance if the insured chooses the catastrophic level of coverage pursuant to the provision of the Catastrophic Risk Protection Endorsement that restricts availability of options and endorsements. However, if the insured chooses an additional coverage level but includes some acreage under the High Risk Land Exclusion Option; all acreage will be included under the Endorsement.

C. Types Insurable

Cottonseed from any insurable type of cotton lint may be insured under this Endorsement.

D. Insurable Practices

All practices insurable for cotton lint are insurable under the Endorsement.

E. Units

The unit structure established by the insured for cotton lint applies to cottonseed. Each cottonseed production guarantee will be included within the same unit as the cotton lint from which the approved yield of cottonseed is derived. Separate units for cottonseed may not be established.

F. Coverage Levels

Coverage will be available in 5 percent (5%) increments from 50 percent (50%) to 85 percent (85%) and follows the coverage levels available for the eligible crop in the county. Catastrophic (CAT) coverage is not offered. The coverage level applicable to this endorsement shall be equal to the coverage level selected for the eligible Crop Provisions.

G. Price Elections

The price for determining indemnities for this endorsement shall be equal to 100 percent of the Cottonseed Endorsement Price.

H. Insurance Dates

The Cottonseed Endorsement must be selected by the insured on or before the cancellation date for an eligible crop provisions for the first year it is to be effective. Thereafter, it renews automatically unless the selection is cancelled by the insured or by the provider or the policy terminates. The Endorsement may be cancelled without cancelling the eligible crop provisions. The production reporting date and the acreage reporting date do not apply to cottonseed. The production report and the acreage report under the eligible crop provisions are sufficient. All other dates applicable to the AUP or ELS cotton crop are applicable to cottonseed.

I. Insurable and Uninsurable Causes of Loss

The causes of loss included under the eligible Crop Provisions apply under the Endorsement. The same uninsurable causes of loss apply.

J. Premium Rates

The premium rate for cottonseed is the same premium rate charged for the cotton lint insured under yield protection. The insured may choose revenue protection together with the Endorsement; however, the amount of premium is restricted to that amount charged for loss of yield.

K. T-yields

T-yields are not provided for cottonseed. The cottonseed approved yield is determined by multiplying the approved yield for cotton lint by the conversion factor included in the Special Provisions.

L. Quality Adjustment

Quality adjustment does not apply to cottonseed. The production to count is based on the total pounds of cotton lint before quality adjustment.

Part 3 Applicability of Handbooks

Section 1 Crop Insurance Handbook (CIH)

31 General Information

Part 3 of this Underwriting Guide identifies information specific to the applicability of the Crop Insurance Handbook (FCIC 18010)(06-2010), the Loss Adjustment Manual (FCIC 25010), and any other issuance that may require supplemental information with regard to cottonseed. Unless specifically amended or supplemented by information in this Underwriting Guide, all policy and procedure issuances apply. Section 1 addresses the CIH.

32 Specific Information Regarding the CIH

A. CIH Section 2 General Program Requirements

Specific additions to CIH Section 2 are itemized below.

CIH
Section
Reference

2H(2(a)) A separate administrative fee is required if the insured elects the Endorsement.

B. CIH Section 4 Endorsements and Options

Specific additions to CIH Section 4 are itemized below.

CIH
Section
Reference

New Cottonseed Endorsement

The Cottonseed Endorsement, if elected, attaches to the Cotton Crop Provisions or the ELS Cotton Crop Provisions, as appropriate. The Endorsement increases the amount of insurance for a unit by including the cottonseed separated from the cotton lint during the ginning process. The Endorsement must be elected on a policy basis.

(1) **Deadlines.**

- (a) Application. The Endorsement must be elected on or before the SCD. This option is continuous once elected, unless canceled. This option only applies to policies with additional coverage.
- (b) Cancellation. The option may be canceled for any succeeding crop year by giving written notice on or before the cancellation date provided by the eligible crop provisions.
- (c) Transfer. If the policy is transferred to a different AIP, a new option must be signed by insured and submitted to the AIP on or before the applicable SCD.

C. CIH Section 6 Servicing and Administrative Requirements

Specific additions to CIH Section 6 are itemized below.

CIH
Section
Reference

- 6B Acreage Report. A separate acreage report is not required for cottonseed. The insured acreage of cottonseed is the same as the insured acreage of cotton lint.
- 6C Assignment of Indemnity. An assignment of indemnity may not be executed solely for cottonseed.
- 6D Assignment of Coverage and Right to an Indemnity. An assignment of coverage and right to an indemnity may not be executed solely for cottonseed.

D. CIH Section 7 Underwriting Responsibilities (Category B and C Crops)

All responsibilities and procedures described in Section 7 pertain to cotton lint. Approved yields, production guarantees, and amounts of loss for cottonseed are derived from the appropriate values determined for cotton lint.

E. CIH Section 8 Mediation, Arbitration, and Judicial Reviews of AIP Determinations

Requests for mediation, arbitration, and judicial reviews of AIP determinations for cottonseed are not authorized. Such requests must be based on the determinations with respect to the cotton lint.

F. CIH Section 9 Planting Provisions

Specific changes and additions to Section 9 of the CIH are itemized below:

CIH
Section
Reference

9B(2) Late Planting. Provisions applicable to cotton also apply to cottonseed.

9C Prevented Planting. Provisions applicable to cotton also apply to cottonseed.

G. CIH Section 10. Units

Separate units are not authorized for cottonseed. The guarantee for cottonseed will be included within the unit from which the approved yield of cotton lint was used to establish the cottonseed approved yield.

H. CIH Section 12 Underwriting Rules for Specific Practices

Specific changes and additions to Section 12 of the CIH are itemized below:

CIH
Section
Reference

12C(4) Skip-Row Planted Cotton and ELS Cotton. The planted acreage for cotton lint applies to cottonseed. Apply the skip-row conversion factors to the approved yield for cotton lint and multiply the result by the conversion factor.

I. CIH Section 13 Production Reports and APH Databases

A production report is not required for cottonseed. An APH database is not required. Follow the instructions in Section 13 to obtain a production report for cotton lint and establish a database for cotton lint. Determine the approved yield for cotton lint and multiply that result by the conversion factor to establish the approved yield for cottonseed.

J. CIH Section 14 Production Evidence

A certification of production of cottonseed is not required; therefore, production evidence is not required except in case of loss. Only the production of cotton lint must meet the production evidence requirements.

K. CIH Section 15 Category B Crop Procedures

Apply the procedures to the cotton lint. Determine the approved yield for cotton lint and multiply that result by the conversion factor.

L. CIH Section 17 APH Yield Adjustment

Make any YA yield substitutions to the yields for cotton lint.

M. CIH Section 18 Yield Reductions

Apply the procedures of Section 18 to the yields of cotton lint.

N. CIH Section 19 Reviewing and Correcting APH Yields

Apply the procedures of Section 19 to the yields of cotton lint only.

O. CIH Exhibit 2C Written Agreement Deadlines and Required Documentation

Written Agreements to change the terms of the Endorsement are not authorized. A Written Agreement applicable to the cotton lint coverage shall be applicable to the cottonseed coverage also.

33-35 (Reserved)

Section 2 Prevented Planting Loss Adjustment Standards Handbook

36 Additional Information to the Prevented Planting Handbook (FCIC-25370) for Cottonseed Only

Cottonseed is eligible for Prevented Planting coverage, and is included with the list of eligible crops in the Prevented Planting Handbook (FCIC-25370).

Section 3 Loss Adjustment Manual Standards Handbook

37 Supplemental Instructions for the AUP and ELS Cotton Loss Adjustment Standards (FCIC-25090 (11-2010))

LASH
Section
Reference

3 INSURANCE CONTRACT INFORMATION

3A INSURABILITY

Add (4) Cottonseed Endorsement. The insured may elect to insure cottonseed for payment of additional premium. All conditions of insurability for cotton lint apply to cottonseed.

3D QUALITY ADJUSTMENT

Add the following: Quality adjustment does not apply to cottonseed.

3E AUP AND ELS INSTRUCTION DESIGNATIONS

Add the following: Instructions for cottonseed apply for both AUP and ELS cotton.

8 APPRAISAL WORKSHEET ENTRIES AND COMPLETION PROCEDURES

8C FORM ENTRIES AND COMPLETION INFORMATION

There are no special appraisal procedures for Cottonseed.

9D CLAIM PROCESSING FOR COTTONSEED

The adjuster will not complete a separate Production Worksheet for Cottonseed.

Complete the applicable AUP or ELS cotton Production Worksheet using the instructions in the AUP & ELS cotton loss adjustment standards handbook. The adjuster will note in the Narrative of the AUP or ELS Production Worksheet that the insured has the Cottonseed Endorsement, if applicable. The indemnity for Cottonseed will be based on information from the AUP or ELS cotton Production Worksheet.

The AIP will obtain data from the applicable AUP or ELS cotton Production Worksheet in order to calculate the Cottonseed production to count.

These instructions describe what data the AIP will use from the AUP or ELS Cotton Production Worksheet to calculate the Cottonseed production to count that will be sent to RMA.

- (1) Add total of column 34 to total of column 37 from the AUP or ELS Cotton Production Worksheet. These totals are found in item 42 (Totals.)
- (2) The result of (1) above becomes the Section I Total for item 69.
- (3) The total of entries in column 63 will be the entry for item 67. The entry in item 67 is used as the entry for item 68 (Section II Total.)

- (4) Add the second step (item 69) to the third step (item 68) to determine item 70 (Unit Total.) Multiply this figure by the Cottonseed conversion factor. This is the Cottonseed production to count to send to RMA.

38-39 (Reserved)

40 Examples of calculation of Guarantee

A. Solid Planted Cotton

Assume the insured has one unit with an approved cotton lint yield of 600 lbs. per acre. The conversion factor published in the Special Provisions is 1.40. The additional value price election is \$0.08 per lb.

The insured chooses the 75% coverage level. There are 100 acres in the unit. Share is 100%.

The approved yield for cottonseed is 600 lbs. X 1.40 = 840 lbs. per acre.

The production guarantee for cottonseed is 840 lbs. X 0.75 = 630 lbs. per acre

The liability for cottonseed is 630 lbs. X 100 acres x \$0.08 x 1.000 share = \$5,040.

B. Skip-Row Planted

Assume the same data as provided in A, but the cotton crop is to be planted with a 2X1 skip-row pattern. The percent planted factor is 0.667 and the yield conversion factor is 1.35.

The approved yield for cottonseed (solid planted basis) remains 840 lbs per acre.

The production guarantee for cottonseed is 840 lbs. x 1.35 x 0.75 = 851 lbs. per acre

The liability for cottonseed is 851 lbs. x 100 acres x 0.667 x \$0.08 x 1.000 share = \$4,541

41-43 (Reserved)

44 Example of Calculation of Premium

The premium rate applicable to cottonseed is the same rate determined for the cotton lint. Hence, determine the premium rate for the cotton lint and apply the same result to the liability for cottonseed.

45-47 (Reserved)

48 Sample Indemnity Calculations

Assume the unit produces only 30,000 lbs. of cotton lint per acre as a result of an insured cause of loss, which is reduced to 25,000 lbs. due to quality adjustment. The indemnity for cottonseed will be calculated as follows:

A. Solid Planted Basis

630 lbs./acre X 100 acres = 63,000 lbs.

30,000 lbs. X 1.40 = 42,000 lbs. cottonseed production to count (calculation is based on lint production to count before quality adjustment)

63,000 lbs. – 42,000 lbs. = 21,000 lbs. unit deficiency

21,000 lbs. X \$0.08 X 1.000 share = \$1,680 indemnity.

B. Skip-Row Planted

851 lbs./acre x 66.7 acres = 56,762 lbs.

30,000 lbs. x 1.40 = 42,000 lbs.

56,762 lbs. – 42,000 lbs. = 14,762 lbs. unit deficiency

14,762 lbs. x \$0.08 x 1.000 share = \$1,181

49-99 (Reserved)

Acronyms

The following table provides approved acronyms used in this handbook.

Approved Acronyms	Term
AIP	Approved Insurance Provider
APH	Actual Production History
AUP	American Upland Cotton
ELS	Extra Long Staple Cotton
SCD	Sales Closing Date

Definitions

The following are definitions of terms used in this handbook.

Agent means the same as the term defined in the Standard Reinsurance Agreement.

Approved Insurance Provider means approved insurance provider as defined in the Federal Crop Insurance Act. For the purposes of this handbook, approved insurance provider includes managing general agents as defined in the Standard Reinsurance Agreement.

Approved Yield – In lieu of the definition contained in the Basic Provisions, the result of multiplying the approved yield for cotton lint (solid planted basis) by a conversion factor contained in the Special Provisions.

Cotton Lint – The fiber that is separated from the cottonseeds by a cotton gin and that is the commodity insured under an eligible Crop Provisions.

Eligible Crop Provisions – Any of the following: Cotton Crop Provisions (11-0021) and ELS Cotton Crop Provisions (99-022).