

## **MGR-18-011: Emergency Procedures for Crops Damaged by Hurricane Florence**

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Date

September 24, 2018

To

All Approved Insurance Providers

All Risk Management Agency Field Offices

All Other Interested Parties

From

Martin R. Barbre, Administrator /s/ Martin R. Barbre

Subject

Emergency Procedures for Crops Damaged by Hurricane Florence

### **Background**

Hurricane Florence caused catastrophic damage in many counties in North Carolina and South Carolina. The Risk Management Agency (RMA), in conjunction with Approved Insurance Providers (AIPs), recognize the need for authorizing emergency procedures that will streamline certain loss determinations on specific crops, accelerating the adjustment of losses and issuance of indemnity payments to crop insurance policyholders in impacted areas.

Many residents lost their primary residences to storm damage and/or have been evacuated from their homes. The local infrastructure for normal day-to-day activities has and will continue to be disrupted for some time during recovery. Due to the destruction of communication lines and the limited ability to travel in the impacted areas, many policyholders are unable to communicate with their agents to purchase or make changes to their crop insurance policy or report losses within the Common Crop Insurance Policy, Basic Provisions (18-BR) 72-hour requirement.

# Action

RMA authorizes the use of these emergency procedures applicable to all North Carolina and South Carolina counties impacted by Hurricane Florence:

Application of these emergency procedures is limited to those situations where the catastrophic nature of the losses due to insured perils is such that not authorizing these emergency procedures would result in unnecessary delays in processing claims and the ability to make timely policy decisions.

RMA is authorizing the following emergency procedures for AIPs to utilize, on a case-by-case basis, for all crops in counties impacted by Hurricane Florence to assist impacted policyholders and increase the efficiency of AIP services and determinations:

- (1) For the September 30 Sales Closing Date (SCD), AIPs may allow insureds to change coverage or apply for insurance if the request is sent via letter or electronically via email or text by the SCD. If the insured sends their request in such a manner, they will be required to follow up with a signed application or policy change form no later than October 31st. The insured agrees to be bound by their election based on their initial letter or electronic communication and cannot make any changes after the SCD.
- (2) In lieu of requirements to report damage within 72 hours, RMA authorizes AIPs to consider individual circumstances in accepting delayed notices of loss in accordance with the 2018 Loss Adjustment Manual (LAM) Standards Handbook (FCIC-25010-2H). Delayed notices of loss or delayed claims because of the hurricane do not require completion of the special report required by the LAM. Document such in the Narrative of the Production Worksheet (PW).
- (3) For all claims utilizing these emergency procedures, AIPs must:
  - (a) Submit all information through the Policy Acceptance and Storage System (PASS) for applicable Appendix III to the Standard Reinsurance Agreement (SRA) record types with a simplified claim flag of "F."
  - (b) Document in each claim folder that these emergency procedures were applied. Record in the Narrative of the PW: "Emergency procedures applied per MGR-18-011."

(4) AIPs may use reported acres certified on the acreage report as determined acres for claim purposes, unless:

(a) Acceptable measured acres as defined in the LAM are readily available (e.g., acreage measured during a previous inspection, precision farming records available, etc.); or

(b) The loss adjuster is able to make a visual observation at the time of loss adjustment and it is determined the reported acres certified on the acreage report appear unreasonable. In this case, the acreage must be determined according to LAM procedures. If the loss adjuster is unable to make a visual observation at the time of loss adjustment and the acreage seems excessive compared to historically reported acreage, then use the acreage from past crop insurance measurements, precision farming records, previous acreage reports, Farm Service Agency (FSA) acreage reports, crop insurance claims, etc., to determine the acreage for the claim.

NOTE: Current FCIC-issued loss adjustment procedures do not require the use of FSA documents, such as aerial photos, FSA-578, etc., to verify crop acreage or share.

(5) For crops destroyed or damaged to the extent they will never be harvested (e.g., unable to be mechanically harvest, unable to gin, etc.).

(a) On the entire unit:

(i) Complete the PW, reflecting zero production to count.

(ii) An appraisal worksheet is not required.

(b) On part of the unit, field, or subfield:

(i) Estimate the acreage in the field or subfield based on the certified acreage from the acreage report (refer to (4) above).

(ii) Complete the PW, reflecting zero production to count for the destroyed/unharvestable field or subfield or modules that cannot be ginned.

(iii) An appraisal worksheet is not required on the destroyed/unharvestable acreage.

(6) For crops not destroyed on the unit or part of the unit:

(a) A minimum number of three representative samples per unit are required without regard to the size of acreage if the damage is consistent. If there are more than three fields or subfields within the unit and the damage is consistent, only one representative sample per field or subfield is required. AIPs must notate as such in the Narrative of the PW.

(b) Estimate the acreage in the field(s) or subfield(s) based on the certified acreage from the acreage report (refer to (4) above).

(c) Record the harvested or appraised production on the applicable appraisal or PW.

(7) For situations where the edible portion of an insured crop has been exposed to flood waters:

(a) Follow procedures found in subparagraphs 1108A and 1102H(3) of the LAM on Flooded Crops and Zero Market Value (ZMV) Production.

(b) AIPs may finalize claims based on policyholder's signed certification that the production will be destroyed. This certification may be included in the Narrative of the PW or on a separate certification form. The policyholder must sign and date the certification statement stating:

"I acknowledge my crop has been exposed to flood waters and is considered adulterated in accordance with FDA guidelines and:

(i) For ALL CROPS, all such production will be destroyed in accordance with any applicable method prescribed by State or Federal regulations, as soon as possible but no later than December 31, 2018, unless an extension has been granted by my AIP; and

(ii) I understand that if any portion of my ZMV production is salvaged (sold, ginned, etc.), I will notify my AIP immediately; resulting in an adjusted claim and repayment of any overpaid indemnity."

NOTE: Because cottonseed is a food/feed product and cannot be separated from the lint without ginning, any cotton exposed to flood water is considered adulterated in accordance with FDA guidelines. This production will be considered

zero production to count provided the policyholder signs the appropriate documents with the certification statement identified above.

(8) For situations where cotton has not been exposed to flood water but is considered unable to be ginned due to an insurable cause of loss:

(a) Follow procedure found in subparagraph 1102H of the LAM on ZMV Production.

(b) The AIP must obtain documentation from the gin stating the cotton is unable to be ginned.

(c) AIPs may finalize claims based on policyholder's signed certification that the production will not be ginned and will be destroyed. This certification may be included in the Narrative of the PW or on a separate certification form. The policyholder must sign and date the certification statement stating:

"I will not attempt to have the cotton ginned and will destroy the production, utilizing a destruction method that will render the cotton unusable, as soon as possible but no later than December 31, 2018, unless an extension has been granted by my AIP. I understand that if any portion of my ZMV production is salvaged (sold, ginned, etc.), I will notify my AIP immediately; resulting in an adjusted claim and repayment of any overpaid indemnity."

(9) For Tobacco:

(a) AIPs discretion to waive the stalk inspection on a case-by-case basis.

(b) Loss of electrical power from Hurricane Florence to curing barns is an insurable cause of loss.

(c) At the time of loss adjustment, estimate the number of pounds of tobacco damaged by power outages or flooding in the curing barn or on-farm storage facility that has zero value and cannot be properly weighed.

(d) For production that the loss adjuster certifies is destroyed and has no value, use a certification statement in the Narrative of the PW to waive the requirement to witness the destruction of the damaged tobacco.

(10) RMA will monitor claims over \$200,000 and if the level of claims in excess of \$200,000 rises above 5% of all claims within the state, RMA will provide relief on the \$200,000 review requirement found in Appendix IV of the SRA.

RMA, working with AIPs, will issue additional emergency procedures as deemed necessary.

**DISPOSAL DATE:**

March 31, 2019