

MGR-18-014: Emergency Procedures for Crops Damaged by Hurricane Michael

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Date

October 12, 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 Michael

Background

Hurricane Michael caused catastrophic damage in many counties in Alabama, Florida, Georgia, North Carolina, South Carolina and Virginia. 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 been 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.

Many policyholders also may be unable to timely respond to premium billing and payment for Federally-Reinsured Policies. Section 24 of 18-BR and the Special Provisions state that interest will accrue starting the first day of the month, following issuance of the notice of premium due by the AIP, provided that a minimum of 30 days have passed from the premium billing date.

Action

RMA authorizes the use of these emergency procedures to all counties in Alabama, Florida, Georgia, North Carolina, South Carolina and Virginia impacted by Hurricane Michael.

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 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, to assist impacted policyholders and increase the efficiency of AIP services and determinations:

1. 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).
2. For all claims utilizing these emergency procedures, AIPs must:
 1. 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."
 2. Document in each claim folder that these emergency procedures were applied. Record in the Narrative of the PW: "Emergency procedures applied per MGR-18-014."
3. AIPs may use reported acres certified on the acreage report as determined acres for claim purposes, unless:
 1. 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

2. 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.

4. For crops (other than Nursery and Pecan Tree) destroyed or damaged to the extent they will never be harvested (e.g., unable to be mechanically harvest, etc.):
 1. On the entire unit:
 1. Complete the PW, reflecting zero production to count.
 2. An appraisal worksheet is not required.
 2. On part of the unit, field, or subfield:
 1. Estimate the acreage in the field or subfield based on the certified acreage from the acreage report (refer to (3) above).
 2. Complete the PW, reflecting zero production to count for the destroyed/unharvestable field or subfield or modules that cannot be ginned.
 3. An appraisal worksheet is not required on the destroyed/unharvestable acreage.
5. For crops not destroyed on the unit or part of the unit:
 1. 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.
 2. Estimate the acreage in the field(s) or subfield(s) based on the certified acreage from the acreage report (refer to (3) above).

3. Record the harvested or appraised production on the applicable appraisal or PW.
6. For situations where the edible portion of an insured crop HAS been exposed to flood waters:
 1. Follow procedures found in subparagraphs 1108 and 1102H(3) of the LAM on Flooded Crops and Zero Market Value (ZMV) Production.
 2. During the on-the-farm inspection, 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:

 1. For COTTON ONLY, I will not have the cotton ginned or attempt to have the cotton ginned;
 2. 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 is granted by my AIP; and
 3. 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."
7. 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:
 1. Follow procedure found in subparagraph 1102H of the LAM on ZMV Production.
 2. The AIP must obtain documentation from the gin stating the cotton is unable to be ginned.
 3. During the on-the-farm inspection, AIPs may finalize claims based on the 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 is 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.”

8. For cotton, if modules were either partially or totally destroyed after delivery to the gin and no claim for indemnity is filed, production may be reported for APH purposes using the production harvested from the unit based on modules weights or module measurements. The Cotton Loss Adjustment Standards Handbook contains procedure for determining production based on module measurements.
9. For Nursery: In order to timely and accurately adjust nursery claims in all counties affected by Hurricane Michael, the following emergency procedures are approved for determining Field Market Value A (FMV-A) when the reported inventory values appear to be reasonable based on the AIP inspection of the damaged Nursery crops. In the event the reported values do not appear to be reasonable, the AIP will not follow the procedures below, but will complete a thorough inventory count of the Nursery to establish the correct FMV-A.
 1. The Crop Inventory Value Report (CIVR) / Plant Inventory Value Report (PIVR) that was accepted for coverage, or the most recent revised and accepted CIVR/PIVR, may be used to establish the beginning inventory.
 2. Obtain all records for plants sold, purchased, or propagated from the date of the applicable CIVR/PIVR up to the date of damage. Records must meet the requirements in Par. 20(C)(3)(b) of the 2015 Nursery Crop Insurance Underwriting Guide (FCIC-24090) to be considered acceptable.
Exception: If an electronic inventory system including, daily inventory software, is utilized by the nursery that tracks inventory (including inventory that has been purchased, propagated, and sold) between the date the CIVR/PIVR was submitted and the date of damage, information from this system may be considered acceptable records.
 3. The records will be used to determine the inventory prior to the hurricane event in order to calculate FMV-A and Field Market Value B (FMV-B).
 1. Sold plants will not be included in the determination of FMV-A or FMV-B.
 2. Purchased and propagated plants will be included in the determination of FMV-A or FMV-B.
 4. Calculate under-report or over-report factors, if applicable.
10. For Tobacco:
 1. AIPs discretion to waive the stalk inspection on a case-by-case basis.

2. Loss of electrical power from Hurricane Michael to curing barns is an insurable cause of loss.
 3. 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.
 4. 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.
11. For crops resulting in a total uninsurable loss due to Hurricane Michael with no access to supporting production evidence (farm management records such as field harvest records, weight of production, bin or module measurements, etc.), AIPs may allow producers to elect to apply the UUF/3rd Party procedures in paragraph 1236 and Part 13 of the Crop Insurance Handbook (FCIC-18010-1) for APH purposes.
 12. AIPs are authorized to provide additional time for policyholders impacted by Hurricane Michael to make payment of premium and administrative fees. Interest accrual on premium payments and administrative fees, as noted above, will be waived for an additional 60 days of the scheduled payment due date on policies with premium billing dates between October 1, 2018, and November 30, 2018. AIPs will begin to accrue interest after the additional 60-day period for unpaid premium and administrative fees.
 13. RMA will defer collection of premium and waive all associated interest from AIPs accordingly.
 14. AIPs are authorized to provide additional time for policyholders to make payment for Written Payment Agreements due between October 15, 2018, and December 15, 2018. Payments may be extended up to 60 days of the scheduled payment due date and considered a timely payment. Such extension of time will not be considered a modification of the Written Payment Agreement and the AIP may waive any additional interest for the payment during this 60-day period.
 15. 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.

DISPOSAL DATE:

June 30, 2019