

## **MGR-21-005**

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Date

July 13, 2021

To

All Approved Insurance Providers

All Risk Management Agency Field Offices

All Other Interested Parties

From

Richard H. Flournoy, Acting Administrator

Subject

Emergency Procedures for Crops Damaged by Drought

## **Background**

Severe drought conditions have damaged crops across the nation, especially in the West and the High Plains. The Risk Management Agency (RMA) recognizes the need for authorizing emergency procedures to streamline and accelerate the adjustment of losses and issuance of indemnity payments to insured producers in the drought-impacted areas.

Insured producers affected by drought should contact their crop insurance agent to report the damage. Approved Insurance Providers (AIPs) must appraise the crop and assess the loss in order to release acreage, as appropriate. Insured producers must maintain the crop as it stands until the appraisal is complete. If the AIP cannot make an accurate appraisal, or if the insured producer disagrees with the appraisal, the AIP may require the insured producer to leave a representative sample area(s). Representative sample areas of the crop, as established by the AIP in consultation with the insured producer, must be maintained by the producer, including normal spraying and tillage, until the AIP conducts a final inspection.

AIPs should follow the guidance published in Paragraph 921B(2)(d) of the 2021 Loss Adjustment Manual Standards Handbook (FCIC-25010- 3H) (LAM) regarding deferred appraisals. In cases of spring-seeded crops where insufficient soil moisture has caused the seed not to emerge and the insured producer requests the acreage be released to go to another use, appraisals must be deferred until at least 8 days after the end of the Late Planting Period (LPP) or at least 15 days after the Final Planting Date if no LPP applies. Note: Paragraph 921B(2)(d) is not applicable if the seed has already emerged.

## **Action**

RMA authorizes the use of these emergency procedures in all states impacted by drought.

The application of these emergency procedures is limited to those situations where the catastrophic nature of the loss, due to insured perils, 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 drought to assist insured producers and increase the efficiency of AIP services and determinations. All other loss procedures (e.g., use of certification forms) are still applicable:

(1) In lieu of requirements to report damage within 72 hours, RMA authorizes AIPs to consider individual circumstances in accepting a delayed notice of loss in accordance with the LAM.

(2) For all claims utilizing these emergency procedures, AIPs must:

(a) Submit all information through the Policy Acceptance and Storage System 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 Production Worksheet (PW): "Emergency procedures applied per MGR-21-005."

(3) AIPs may use the 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 AIP can make a visual observation at the time of loss adjustment to determine if the reported acres appear reasonable. If the AIP determines the reported acres certified on the acreage report appear unreasonable, the acreage must be determined according to LAM procedures.

Note: Current RMA-issued loss adjustment procedures do not require the use of Farm Service Agency (FSA) documents, such as aerial photos, FSA-578, etc., to verify crop acreage or share.

(4) In cases where the insured has requested to put the acres to another use and the crops are 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 (3) above).

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

(5) In Crop Year 2019, RMA began using a targeted data mining approach to identify \$200,000 reviews that are exempt. This resulted in a significant reduction in the number of reviews conducted. However, given the potential for widespread loss due to drought, Compliance will continue to 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 may provide relief on the review requirement found in Appendix IV of the SRA.

**DISPOSAL DATE:**

December 31, 2021