

Crop Insurance Terms

The crop insurance industry is providing more and more risk management tools to help producers deal with the increasing risk they face. As the number of alternative tools increases, so does their complexity. Below is a comprehensive list of definitions.

ACT--The Federal Crop Insurance Act, (7 U.S.C. 1501 et seq.)

AGR-- Adjusted Gross Revenue

APH--Actual Production History

CAT--Catastrophic Risk Protection

CCC--Commodity Credit Corporation

CIH--Crop Insurance Handbook

CSREES--Cooperative State Research, Education, and Extension Service

FSA--Farm Service Agency

FCIC--Federal Crop Insurance Corporation

IRS--Internal Revenue Service

LAM--Loss Adjustment Manual

MPCI--Multiple Peril Crop Insurance

PHTS--Policyholder Tracking System

RMA--Risk Management Agency

USA--United States of America

USDA--United States Department of Agriculture

Crop Insurance Forms and Documents

Actuarial documents. Available at the producer's insurance agent's office, this material for a specific crop year shows the amount of insurance or production guarantees, coverage levels, premium rates, practices, insurable acreage, and other related information regarding crop insurance in the county.

Catastrophic Risk Protection Endorsement. The part of the crop insurance policy that contains provisions specific to catastrophic risk protection.

Crop Provisions. The part of the policy that contains the specific provisions of insurance for each insured crop.

Insured crop. The crop for which coverage is available under the Basic Provisions and the applicable Crop Provisions as shown on the application for insurance.

Policy. The agreement between the producer and the insurance company, consisting of the accepted application, the Basic Provisions, the Crop Provisions, the Special Provisions, other applicable endorsements or options, the actuarial documents for the insured crop, the Catastrophic Risk Protection Endorsement (if applicable), and the applicable regulations published in the Federal Register.

Special Provisions. The part of the policy that contains specific provisions of insurance for each insured crop that may vary by geographic area.

Summary of coverage. The insurance company's statement to the producer, based upon the producer's acreage report. It specifies the insured crop and the guarantee or amount of insurance coverage provided by unit.

Written agreement. A document that alters designated terms of a policy as authorized under the Basic Provisions, the Crop Provisions, or the Special Provisions for the insured crop.

Coverage Levels and Price Elections

Additional coverage. Crop insurance coverage equal to or greater than 65 percent of the approved yield indemnified at 100 percent of the expected market price, or a comparable coverage as established by the Federal Crop Insurance Corporation (FCIC).

Administrative fee. An amount you must pay for catastrophic risk protection, limited, and additional coverage for each crop year as specified in the Federal Register and the Catastrophic Risk Protection

Endorsement. (\$100 per crop policy per country).

Coverage. The insurance provided by a policy against loss of production or value, by unit, as shown on your summary of coverage.

Crop Revenue Coverage (CRC). An insurance program that guarantees a stated amount of revenue. CRC covers revenue losses due to a low price, low yield, or any combination of the two.

Catastrophic risk protection (CAT). A plan of insurance established by FCIC that provides coverage comparable to a level for a single crop that is equal to 50 percent of the approved yield indemnified at 55 percent of the expected market price. This is the minimum level of coverage required for a person to qualify for certain other USDA program benefits unless the producer executes a waiver of any eligibility for emergency crop loss assistance.

Deductible. The amount of loss incurred before insurance coverage begins, determined by subtracting the coverage level percentage you choose from 100 percent. For example, if you elected a 65 percent coverage level, your deductible would be 35 percent ($100\% - 65\% = 35\%$).

Economic significance. The value of a crop, or of a type or variety of a crop (if the applicable crop policy allows the producer the option to separately insure individual crop types or varieties), equal to 10 percent or more of the total value of your share of all crops grown in the county the previous crop year, or that you expect to grow in the current crop year. However, an amount is not considered economically significant if the expected liability under the Catastrophic Risk Protection Endorsement is equal to or less than the administrative fee required for the crop or the crop type or variety.

Group Risk Plan (GRP). GRP provides a dollar amount of protection. A loss payment triggers when the county average yield in a given year falls below the trend adjusted average yield by a greater percentage than the policyholder's selected deductible. GRP does not provide prevented planting, late planting, or replant payments.

Income Protection (IP). An insurance plan that protects against reductions in gross income when yields or prices fall. The plan was developed using components from existing crop insurance programs. The multi-peril program protects against loss of production using the actual production history program and forms the foundation for income protection. The insurance unit is taken from the group risk plan. Combined, these components form a straightforward product for the protection of a percentage of gross income.

Insured Revenue. Income from the sale of agricultural commodities the insured produces, the sale of agricultural commodities the insured purchases for resale (not eligible for AGR coverage if the expected allowable income from agricultural commodities purchased for resale exceeds 50 percent of the total expected allowable income), and all other allowable income as defined in the AGR Policy.

Limited Coverage. A plan of insurance established by FCIC that provides coverage comparable to a level for a single crop that is equal to or greater than 50 percent of the approved yield indemnified at 100 percent of the expected market price but less than 65 percent of the approved yield indemnified at 100 percent of the expected market price.

Multi-Peril Crop Insurance (MPCI). An insurance program to minimize risk and help protect farmers for loss of production below a predetermined yield, known as the unit guarantee which can be calculated using the producer's actual production history.

Price election. The prices contained in the Special Provisions or an addendum. They are used to compute the value per pound, bushel, ton, carton, or other unit of measure so that premium and indemnity can be determined.

Production guarantee (per acre). The number of pounds, bushels, tons, cartons, or other unit of measure determined by multiplying the approved yield per acre by the coverage level percentage you elect.

Revenue Assurance (RA). Protects a producer's crop revenue whenever low prices or low yields, or combination of both, causes the crop revenue to fall below the guaranteed revenue level.

Special Provisions. The part of the policy that contains specific provisions of insurance that may vary by geographic location.

Farming Terms Used in Crop Insurance

Abandon. Failure to care for the crop, providing too little care to benefit the crop, or failure to harvest in a timely manner, unless an insured cause of loss prevents the producer from properly caring for or harvesting the crop or causes damage to it to the extent that most producers of the crop on similar acreage in the area would not normally further care for or harvest it.

Agricultural commodity. All insurable crops produced for human or animal consumption. Grain and non-grain crops, vegetables, fruits, nuts, nursery plants, floriculture, Christmas trees, Maple tree sap, animals, products from animals such as milk, eggs, etc., and any other agricultural production, excluding timber, forest, and forest products.

Changes. Changes in ownership, business structure, size of operation, share, management practices, type of farming activity, accounting methods or any other practices that may alter average farm income.

Crop year. The period within which the insured crop is normally grown and designated by the calendar year the insured crop is normally harvested.

Damage. Injury, deterioration, or loss of production of the insured crop.

Database. The data used to calculate the average/approved AGR and record the AGR history. Five continuous tax years of data are used.

Good farming practices. The cultural practices generally in use in the county for the crop. Practices required for the crop to produce at least the yield used to determine the production guarantee or amount of insurance. These practices are recognized by the Cooperative State Research, Education, and Extension Service as compatible with agronomic and weather conditions in the county.

Interplanted. Acreage on which two or more crops are planted in a manner that does not permit separate agronomic maintenance or harvest of the insured crop.

Irrigated practice. Watering a crop to produce at least the yield used to establish: 1) the irrigated production guarantee; 2) the amount of insurance on the irrigated production guarantee; or 3) the amount of insurance on the irrigated acreage planted to the insured crop.

Late planted. Acreage initially planted to the insured crop after the final planting date.

Negligence. The failure to use such care as a reasonably prudent and careful person would use under similar circumstances.

Perennial Crop. An agricultural commodity that is produced from the same root structure for two or more years.

Planted acreage. Land in which the insured crop has been properly planted.

Practical to replant. The insurance company's determination, after loss or damage to the insured crop, that replanting the crop will allow it to be harvested before the end of the insurance period. It will not be considered practical to replant after the end of the late planting period or the final planting date unless replanting is generally occurring in the area. Unavailability of seed or plants is not considered a valid reason for failure to replant.

Prevented planting. Failure to plant the insured crop by the final planting date designated in the Special Provisions for the insured crop in the county. You may also be eligible for a prevented planting payment if you were unable to plant because of an insured cause of loss that is general in the surrounding area.

Replanting. Replacing the seed or plants of the same crop in the insured acreage with the expectation of producing at least the yield used to determine the production guarantee.

Representative sample. Portion of the insured crop that must remain in the field for examination by the insurance company's loss adjuster when making a crop appraisal. In certain instances the producer may harvest the crop and leave only samples of the crop residue in the field.

Timely planted. Planted on or before the final planting date designated in the Special Provisions for the insured crop in the county.

Reports

Acreage report. A report stating the producer's share of all acreage of an insured crop in the county, whether insurable or not insurable.

Another use, notice of. The written notice required when you wish to plant acreage to another crop.

Application. The form you must complete and that the insurance company must accept before coverage will begin. If the insurance coverage is canceled or terminated for any reason, the producer must reapply.

Claim for indemnity. Producer's assertion for damage or loss to an insured crop.

Consent. Approval in writing by the insurance company for the insured to take a specific action.

Continuous AGR Reports. AGR reports submitted by a producer for each consecutive tax year within the base period. Continuity is interrupted if a producer is NOT entitled to income from a share in ANY agricultural commodity's production during a tax year.

Damage, notice of. A written notice the producer must file with the insurance company as soon as it is discovered the insured crop has been damaged to the extent that a loss is probable.

Loss, notice of. The producer must give notice to the insurance company not later than 72 hours after certain losses or 15 days after the end of the insurance period, whichever is earlier.

Production report. A written record showing the producer's annual production. The insurance company uses it to determine your yield for insurance purposes. The report contains yield information for previous years, including planted acreage and harvested production. This report must be supported by written, verifiable records from a warehouseman or buyer of the insured crop, by measurement of farm-stored production, or by other records of production approved by the insurance company.

Underwriting Review. A review of the applicant/insured's underwriting information by a person designated by the insurance provider (verifier or underwriter) who is versed in the AGR program and is proficient in the knowledge and skills necessary to evaluate the grower's request for insurance.

Units

Basic unit. All acreage of the insured crop in the county on the date coverage begins for the crop year:

- 1) In which the insured has 100 percent crop share; or
- 2) Which is owned by one person and operated by another person on a share basis. (Example: If, in addition to the land the producer owns, he rents land from five landlords, three on a crop share basis and two on a cash basis, he would be entitled to four units -- one for each crop share lease and one that combines the two cash leases and the land you own.) Land which would otherwise be one unit may, in certain instances, be divided.

Optional unit. For an additional premium, growers may subdivide their basic units by practice, section or section equivalents.

County. Any county, parish or other political subdivision of a state shown on the insured's accepted application, including acreage in a field that extends into an adjoining county if the county boundary is not readily discernible.

Enterprise unit. All acreage of the insured crop in the county in which the producer has interest in on the date coverage begins for the crop year. An enterprise unit must consist of:

- 1) Two or more basic units of the same insured crop that are located in two or more separate sections, section equivalents, or FSA farm serial numbers; or
- 2) Two or more optional units of the same insured crop established by separate sections, section equivalents, or FSA farm serial numbers.

Field. All acreage of tillable land within a natural or artificial boundary (e. g., roads, water-ways, fences, etc.).

FSA farm serial number. The number assigned to the farm by the local FSA office.

Noncontiguous. Any two or more tracts of land whose boundaries do not touch at any point. (Exception: Land separated only by a public or private right-of-way, waterway, or irrigation canal is considered contiguous.)

Section. (for the purposes of unit structure). A unit of measure under a rectangular survey system. A tract of land usually 1 mile square and usually containing approximately 640 acres.

State. The state shown on the insured's accepted application.

Whole farm unit. All acreage of the insured crops in the county in which the insured has a share on the date coverage begins for each crop for the crop year.

Parties to Crop Insurance Contract

Assignment of indemnity. An arrangement whereby the producer assigns your right to an indemnity payment to any party of your choice for the crop year.

Contract. The contractual agreement between the insured and the insurance provider consisting of the accepted application, the AGR Provisions, the AGR Special Provisions, the AGR software, and the applicable regulations published in 7 CFR Chapter IV.

Person. An individual, partnership, association, corporation, estate, trust, or other legal entity, and wherever applicable, a state or a political subdivision or agency of a state. "Person" does not include the United States government or any agency thereof.

Insurance Provider. A company reinsured by FCIC that provides crop insurance coverage to producers participating in any Federal crop insurance program administered under the Federal Crop Insurance Reform Act of 1994.

Insured. The person whose name is on the application accepted by the insurance company. This term does not extend to any other person having a share or interest in the crop (for example, a partnership, landlord, or any other person) unless specifically indicated on the accepted application.

Limited resource farmer. A producer or operator of a farm:

- 1) With an annual gross income of \$20,000 or less derived from all sources, including income from a spouse or other members of the household, for each of the prior 2 years; or
- 2) With less than 25 acres total for all crops, who makes a majority of his gross income from farming, and whose gross income from farming is not more than \$20,000.

Share. The producer's percentage of interest in the insured crop as an owner, operator or tenant. However, only for the purpose of determining the amount of indemnity, the producer's share will not be more than it was at the earlier of the time of loss or the beginning of harvest.

Tenant. A person who rents land from another person for a share of the crop or a share of the proceeds of the crop.

Substantial beneficial interest. An interest of at least 10 percent in the insured crop.

List of Dates and their Definitions

Acreage reporting date. The date by which the insured is required to submit an acreage report.

Cancellation date. The date specified in the Crop Provisions on which coverage for the crop will automatically renew unless canceled.

Contract change date. The date by which the insurance company makes any policy changes available for inspection in the agent's office.

Coverage begins, date. The date insurance begins on the insured crop, or the date planting begins on the

unit.

Days. Calendar days.

Delinquent account. Any account in which premiums and interest on those premiums is not paid by the termination date specified in the Crop Provisions.

Earliest planting date. The earliest date established for planting the insured crop.

End of insurance period, date of. The date upon which your crop insurance coverage ceases for the crop year.

Final planting date. The date in the Special Provisions by which the crop must initially be planted in order to be insured for the full production guarantee or amount of insurance per acre.

Fiscal Year. Twelve consecutive months ending on the last day of any month except December. A producer using a fiscal tax year is not eligible to participate in the AGR pilot program.

Insurance Year/Insurance Period. The period beginning January 1 and extending through December 31 of the same year and corresponds to the period of coverage under the AGR policy.

Lag Year. The tax year immediately prior to the insurance year. Tax documents for the lag year will generally not have been filed with the IRS by the sales closing date.

Late planting period. The period that begins the day after the final planting date for the insured crop and ends 25 days later, unless otherwise specified in the Crop Provisions or Special Provisions.

Premium billing date. The earliest date upon which you will be billed for insurance coverage based on your acreage report. The premium billing date is in the Special Provisions.

Sales closing date. A date in the Special Provisions by which an application must be filed. The last date you may change your crop insurance coverage for a crop year.

Termination date. The date in the Crop Provisions upon which your insurance ceases to be in effect because of nonpayment of any amount due the insurance company.