

MULTIPLE PERIL CROP INSURANCE
NURSERY CROP PROVISIONS

1999-NCIS 782

If a conflict exists among the policy provisions, the order of priority is as follows: (1) The Catastrophic Risk Protection Endorsement, if applicable; (2) the Special Provisions; (3) these Crop Provisions; and (4) the Basic Provisions with (1) controlling (2), etc.

1. **Definitions.**

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

Amount of insurance - For each basic unit, your practice value multiplied by the coverage level percentage you elect, multiplied by your price election, and multiplied by your share. Your accumulated paid losses during the crop year for each basic unit or the optional units will not exceed your amount of insurance.

Crop year - The period beginning the day insurance attaches and extending until 11:59 p.m. of the following September 30. Crop year is designated by the calendar year in which it ends.

Crop year deductible - The deductible percentage multiplied by the sum of all plant inventory values for each basic unit. The crop year deductible will be increased for any increases in the inventory value on the plant inventory value report or through the purchase of a peak inventory endorsement, if in effect at the time of loss. The crop year deductible will be reduced by any previously incurred deductible if you timely report each loss to us.

Deductible percentage - An amount equal to 100 percent minus the percent of coverage you select.

Eligible plant list - A list published by FCIC in electronic format and available from your agent that includes the botanical and common names of insurable plants, the winter protection requirements for container material and the areas in which they apply, the hardiness zone to which field grown material is insurable, the designated hardiness zones for each county, and the unit classification for each plant on the list. A paper copy of the eligible plant list is also available from your agent.

Field grown - Nursery plants planted and grown in the ground without the use of any artificial root containment device. In-ground fabric bags are not considered an artificial root containment device.

Field market value A - The value of undamaged insurable plants, based on the prices contained in the plant price schedule, in the basic or optional unit, as applicable, immediately prior to the occurrence of any loss as determined by our appraisal. This allows the amount of insurance under the policy to be divided among the individual units in accordance with the actual value of the plants in the unit at the time of loss for the purpose of determining whether you are entitled to an indemnity for insured losses in the unit, optional or basic, as applicable.

Field market value B - The value of the insurable plants, based on the prices contained in the plant price schedule, in the basic or optional unit, as applicable, following the occurrence of a loss as determined by our appraisal plus any reduction in value due to uninsured causes. This is used to determine the loss of value for each individual unit so that losses can be paid on an individual unit basis, optional or basic, as applicable.

Field market value C - The value of undamaged insurable plants based on the prices contained in the

plant price schedule for all types within the basic unit immediately prior to the occurrence of any loss as determined by our appraisal. This value is used to calculate the actual value of the plants in the basic unit at the time of loss to ensure that you have not underreported your plant values.

In-ground fabric bag - (Also called a grow bag or a root control bag). A porous fabric bag made of a non-biodegradable material such as polypropylene that typically has a plastic bottom, and is used for growing woody plants in the ground.

Irrigated practice - In lieu of the definition in the Basic Provisions, the application of water, using appropriate systems and at the proper times, to provide the quantity of water needed to sustain normal growth of your insured plant inventory and provide cold protection for applicable plants as specified in the eligible plant list.

Loss - Field market value A minus field market value B.

Marketable - Of a condition that it may be offered for sale in the market.

Nursery - A business enterprise that derives at least 50 percent of its gross income from the wholesale marketing of plants.

Occurrence deductible - This deductible allows a smaller deductible than the crop year deductible to be used when; 1) inventory values are less than the reported practice value, or 2) you have elected optional units. The occurrence deductible is the lesser of: a) the deductible percentage multiplied by field market value A multiplied by the under report factor; or b) the crop year deductible.

Plant inventory value report - Your report that declares the value of insurable plants in accordance with section 6.

Plant price schedule - A schedule of insurable plant prices published by FCIC in electronic format that establishes the value of undamaged insurable plants and the maximum amount we will pay for damaged insurable plants. A paper copy is available from your crop insurance agent.

Practice - A cultural method of producing plants. Standard nursery containers grown and field grown are considered separate insurable practices.

Practice value - The full value of all insurable plants in each basic unit on your plant inventory value report including any report that increases the value of your insurable plant inventory. This will be used to determine the amount of insurance under this policy.

Price election - The allowable percentage, as specified in the actuarial documents, of the prices shown in the plant price schedule that you elect and that is used to determine the amount of insurance and any indemnity.

Standard nursery containers - Rigid containers not less than 3 inches in diameter at the widest point of the container interior and that are appropriate in size and have drainage holes appropriate for the plant. In-ground fabric bags, trays, cellpacks with individual cells less than 3 inches in diameter at the widest point of the container interior, and burlap are not considered standard nursery containers under these Crop Provisions.

Stock plants - Plants used solely for propagation during the insurance period.

Under report factor - The factor which adjusts your indemnity for underreporting of inventory values. The factor is always used in determining any indemnity. For each practice, the under report factor is the lesser of: a) 1.000 or; b) the sum of all practice values reported on all plant inventory value reports, including any peak inventory value reports during the coverage term of the Peak Inventory Endorsement minus the total of all previous losses, as adjusted by any previous under report factor, divided by field market value C.

2. Unit Division.

(a) In lieu of the definition of "basic unit" contained in section 1 of the Basic Provisions, a basic unit consists of all insurable plants in which you have a share in the county for each practice for which a separate rate is established in the actuarial documents. Although the basic unit may be divided into optional units in accordance with sections 2(b) and 2(c), you will still be considered to have a basic unit that will be used to establish the amount of insurance, crop year deductible, under report factor, premium, and the total amount of indemnity payable under this policy.

(b) In lieu of the optional unit provisions in the Basic Provisions, if you elect either limited or additional levels of coverage, for an additional premium, inventory that would otherwise be one basic unit may be divided into optional units by plant type as specified in section 2(c). If you elect optional units, your amount of insurance will be divided among optional units in relation to the actual value of plants in each optional unit. If, at the time of loss, the aggregate value of the plants in all your optional units exceeds your practice value, you will be subject to the under report factor provisions.

(c) Plant Types contained on the eligible plant list.

- (1) Deciduous Trees (Shade and Flower);
- (2) Broad-leaf Evergreen Trees;
- (3) Coniferous Evergreen Trees;
- (4) Fruit and Nut Trees;
- (5) Deciduous Shrubs;
- (6) Broad-leaf Evergreen Shrubs;
- (7) Coniferous Evergreen Shrubs;
- (8) Small Fruits;
- (9) Herbaceous Perennials;
- (10) Roses;
- (11) Ground Cover and Vines;
- (12) Annuals;
- (13) Foliage; and
- (14) Other plant types listed in the Special Provisions.

(d) You must elect either basic units or optional units.

3. Insurance Guarantees, Coverage Levels, and Prices for Determining Indemnities.

(a) The production reporting requirements contained in section 3 of the Basic Provisions are not applicable.

(b) In addition to the requirements of section 3 of the Basic Provisions, you must select one price election for all plants, regardless of type, insured under this policy.

(c) Your amount of insurance will be reduced by the amount of any indemnity paid under this policy. For losses occurring when a Peak Inventory

Endorsement is in effect, to determine the amount of insurance remaining after the loss you must subtract the amount of the indemnity from the peak amount of insurance, then subtract any remaining amount of indemnity from the amount of insurance.

(d) If you restock your nursery plant inventory, you may increase your amount of insurance in accordance with section 6(f).

4. Contract Changes.

In accordance with section 4 of the Basic Provisions, the contract change date is June 30 of each year.

5. Cancellation and Termination Dates.

In accordance with section 2 of the Basic Provisions, the cancellation and termination dates are September 30 preceding the crop year.

6. Plant Inventory Value Report.

(a) Section 6 of the Basic Provisions is not applicable.

(b) You must submit a plant inventory value report to us with your application and for each subsequent crop year, not later than September 1. If you do not submit a plant inventory value report by September 1, your policy will continue using the reported inventory values in effect as of August 31.

(c) The plant inventory value report must include all growing locations, the practice value, and your share. At our option, you will be required to provide documentation in support of your plant inventory value report, including, but not limited to, a detailed plant inventory listing that includes the name, the number, and the size of each plant; sales and purchases of plants for the 3 previous crop years in the amount of detail we require, and your ability to properly obtain and maintain nursery stock. For catastrophic level policies only, you must report your previous plant sales on the plant inventory value report. You may be required to provide documentation to support such sales.

(d) Your plant inventory value report, including any revised report, and your peak inventory value report will be used to determine your premium and amount of insurance.

(e) Your plant inventory value report must reflect your insurable nursery plant inventory value according to prices contained in the plant price schedule. In no instance will we be liable for plant values greater than those contained in the plant price schedule.

(f) You may revise your plant inventory value report to increase the reported inventory value. Any revision must be made in writing before May 31st of the crop year. We may inspect the inventory. Your revised plant inventory value report will be considered accepted by us and insurance will attach on any proposed increase in inventory value 30 days after your written request is received unless we reject the proposed increase in your plant inventory value in writing. We will reject any requested increase if a loss occurs within 30 days of the date the request is made.

(g) You must report the full value of your practice value in accordance with section 6(e). Failure to report the full value of your practice value will result in the reduction of any claim in accordance with section 12(d).

(h) For catastrophic insurance coverage only: (1) Your plant inventory value report for container grown

nursery plants cannot exceed the lesser of the actual value from section 6(e) or 150 percent of your previous year's sales of container grown nursery plants; (2) Your plant inventory value report for field grown nursery plants cannot exceed the lesser of the actual value from section 6(e) or 250 percent of your previous year's sale of field grown nursery plants, and if the above restrictions cause you to under report the value of your inventory, you must present records acceptable to us to prove your actual inventory value to receive a waiver of these restrictions.

7. Premium.

- (a) In lieu of section 7(c) of the Basic Provisions, we will determine your premium by multiplying the amount of insurance by the appropriate premium rate and by the premium adjustment factors listed on the actuarial documents that may apply.
- (b) In addition to the provisions in section 7 of the Basic Provisions, the premium will be adjusted for partial crop years. Premium will be charged for the entire month for any calendar month during which any amount of coverage is provided under these provisions or the peak inventory endorsement.
- (c) Additional premium from an increase in the plant inventory value report is due and payable when the revised plant inventory value report is accepted by us.

8. Insured Plants.

In lieu of the provisions of sections 8 and 9 of the Basic Provisions, the insured nursery plant inventory will be all the nursery plants in the county that:

- (a) Are shown on the Eligible Plant List and meet all the requirements for insurability (plant types, species and cultivars not insurable under the eligible plant list may be insured by written agreement, subject to FCIC's determination that the proper storage requirements and an accurate insurable price for the plant can be determined, and provided all other requirements, such as plant and container size, are met);
- (b) Are determined by us to be acceptable;
- (c) Are grown in a county for which a premium rate is provided in the actuarial documents;
- (d) Are grown in a nursery inspected by us and determined to be acceptable;
- (e) Are irrigated unless otherwise provided by the Special Provisions (You must have adequate irrigation equipment and water to irrigate all insurable nursery plants at the time coverage begins and throughout the insurance period);
- (f) Are grown in accordance with the production practices for which premium rates have been established;
- (g) Are grown in an appropriate medium;
- (h) Are not grown for sale as Christmas trees;
- (i) Are not stock plants; and
- (j) Produce edible fruits or nuts provided the fruit or nuts are not intended for harvest while the plant is located in the nursery.

9. Insurance Period.

- (a) In lieu of the provisions of section 11 of the Basic Provision: (1) For the year of application, coverage begins 30 days after your crop insurance agent receives an application signed by you, unless we

notify you that your inventory is not acceptable; (2) For subsequent crop years, the insurance period begins at 12:01 A.M. each October 1st; (3) No application for insurance for any current crop year will be accepted after May 31st of the crop year; (4) If you apply for coverage after May 31st, coverage will not begin prior to October 1st; and (5) For the 1999 crop year only, if you insured your nursery under 7 CFR 457.114 and you elect to cancel such policy by November 30, 1998, and obtain insurance under these Crop Provisions by November 30, 1998, by simultaneous cancellation and application, and if you select the same coverage level, the 30 day delay in coverage will not apply to your container grown nursery crop, and coverage for your container grown nursery crop will begin on the date of application. If you change coverage levels, the 30 day delay in coverage on your container grown nursery crop specified in section 9(a)(1) will apply and coverage under 7 CFR 457.114 will continue until coverage under this policy begins.

- (b) Insurance ends at the earliest of:

- (1) The date of final adjustment of a loss when the total indemnities due equal the amount of insurance;
- (2) Removal of bare root nursery plant material from the field;
- (3) Removal of all other insured plant material from the nursery; or
- (4) 11:59 p.m. on September 30.

10. Causes of Loss.

- (a) In accordance with the provisions of section 12 of the Basic Provisions, insurance is provided for unavoidable damage caused only by the following causes of loss that occur within the insurance period:
 - (1) Adverse weather conditions, except as specified in section 10(b) or the Special Provisions;
 - (2) Fire, provided weeds and undergrowth in the vicinity of the plants or buildings on your insured site are controlled by chemical or mechanical means;
 - (3) Wildlife;
 - (4) Earthquake;
 - (5) Volcanic eruption; or
 - (6) Failure of the irrigation water supply due to a cause of loss specified in sections 10(a)(1) through (5) that occurs within the insurance period; or
 - (7) Delay in marketability of the plants, if such delay results in a reduction in the value of the plants, due to a cause of loss specified in section 10(a)(1) through (6) that occurs within the insurance period.
- (b) In addition to the causes of loss excluded in section 12 of the Basic Provisions, we do not insure against any loss caused by:
 - (1) Disease or insect infestation, unless:
 - (i) A disease or insect infestation occurs for which no effective control measure exists; or
 - (ii) Coverage is specifically provided by the Special Provisions.
 - (2) A failure of, or a reduction in, the power supply, unless such failure or reduction is due to an insurable cause of loss specified in section 10(a);

- (3) The inability to market the nursery plants as a direct result of quarantine, boycott, or refusal of a buyer to accept production;
- (4) Cold temperatures, if cold protection is required in the eligible plant list, unless:
 - (i) You have installed adequate cold protection equipment or facilities and there is a failure or breakdown of the cold protection equipment or facilities resulting from an insurable cause of loss specified in section 10(a) (the insured plants must be damaged by cold temperatures and the damage must occur within 72 hours of the failure of such equipment or facilities unless we establish that repair or replacement was not possible between the time of failure or breakdown and the time the damaging temperatures occurred); or
 - (ii) The lowest temperature or its duration exceeded the ability of the required cold protection equipment to keep the insured plants from sustaining cold damage;
- (5) Collapse or failure of buildings or structures, unless the damage to the building or structures results from a cause of loss specified in section 10(a); or
- (6) Failure of plants to grow to an expected size due to drought.

11. Duties in the Event of Damage or Loss.

- (a) In addition to your duties contained in section 14 of the Basic Provisions:
 - (1) You must obtain our written consent prior to:
 - (i) Destroying, selling or otherwise disposing of any plant inventory that is damaged; or
 - (ii) Changing or discontinuing your normal growing practices with respect to care and maintenance of the insured plants.
 - (2) You must submit a claim for indemnity to us on our form, not later than 60 days after the date of your loss, but in no event later than 60 days after the end of the insurance period.
- (b) Failure to obtain our written consent as required by section 11(a)(1) will result in the denial of your claim.

12. Settlement of Claim.

We will determine indemnities for any unit as follows:

- (a) Determine the under report factor for the basic unit;
- (b) Determine the occurrence deductible;
- (c) Subtract field market value B from field market value A;
- (d) Multiply the result of 12(c) by the under report factor;
- (e) Subtract the occurrence deductible from the result in section 12(d); and
- (f) If the result of section 12(e) is greater than zero, and subject to the limit of section 12(g), your indemnity equals the result of section 12(e), multiplied by your price election, and multiplied by your share.
- (g) The total of all indemnities for the crop year will not exceed the amount of insurance including any peak amount of insurance during the coverage term of the peak inventory endorsement.

13. Late and Prevented Planting.

The late and prevented planting provisions in the Basic Provisions are not applicable.

14. Written Agreements.

- (a) In lieu of section 18(a) of the Basic Provisions, for the year of application you must request a written agreement in writing with the application and not later than the cancellation date for each subsequent crop year;
- (b) In addition to the requirements of section 18 of the Basic Provisions any written agreement is valid only until the end of the insurance period; and
- (c) In lieu of section 18(e) of the Basic Provisions, an application for a written agreement submitted after the date of application for the initial year and the cancellation date for all subsequent crop years may be approved if you demonstrate your physical inability to have applied timely and, after physical examination of the nursery plant inventory, we determine the inventory will be marketable at the value shown on the plant value inventory report.

15. Examples.

Single Unit Example

Assume you have a 100 percent share and the plant inventory value reported by you is \$100,000, your coverage level is 75 percent, and your price election is 75 percent. Your amount of insurance is \$56,250 ($\$100,000 \times .75 \times .75$). At the time of loss, field market value A is \$125,000, field market value B is \$80,000, and field market value C is \$125,000. The under report factor is .80 ($\$100,000$ divided by $\$125,000$). The deductible percentage is 25 percent ($100 - 75$), the crop year deductible is \$25,000 ($.25 \times \$100,000$) and the occurrence deductible is \$25,000 ($.25 \times \$125,000 \times .80$). Your indemnity would be calculated as follows:

- Step (1) Determine the under report factor
 $\$100,000 \div \$125,000 = .80$;
- Step (2) Field market value A minus field market value B
 $\$125,000 - \$80,000 = \$45,000$;
- Step (3) Result of step 2 multiplied by the under report factor (step 1)
 $\$45,000 \times .80 = \$36,000$;
- Step (4) Result of step 3 minus the occurrence deductible
 $\$36,000 - \$25,000 = \$11,000$;
- Step (5) Result of step 4 multiplied by your price election
 $\$11,000 \times .75 = \$8,250$;
- Step (6) Result of step 5 multiplied by your share
 $\$8,250 \times 1.000 = \$8,250$ indemnity payment.

Peak Inventory Report Example

Assume you have a second loss on the same basic unit. Your amount of insurance has been reduced by subtracting your previous indemnity payment or \$8,250 from your amount of insurance ($\$56,250 - \$8,250 = \$48,000$). Your crop year deductible has been reduced to zero by the previous loss ($\$25,000 - \$36,000$, but not less than zero). You purchase a Peak Inventory Endorsement and report \$60,000 in inventory. Your peak amount of insurance is your reported inventory times your coverage level times your price election ($\$60,000 \times .75 \times .75 = \$33,750$). The combined amount of insurance for the coverage term of the peak endorsement is $\$48,000 + \$33,750 = \$81,750$. Your crop year deductible is increased by \$15,000 ($\$60,000 \times .25$). At the time of loss, field market value A is \$124,000, field market value B is \$58,000, and field market value C is \$124,000. The under report factor is 1.00 ($[\$160,000 - \$36,000]$)

\$124,000]. The crop year deductible is \$15,000 (.25 x \$60,000) and the occurrence deductible is \$15,000 (the lesser of field market value A x .25 or the crop year deductible). Your indemnity would be calculated as follows:

- Step (1) Determine the under report factor
 $(\$160,000 - \$36,000) / \$124,000 = 1.00$;
- Step (2) Field market value A minus field market value B
 $\$124,000 - \$58,000 = \$66,000$;
- Step (3) Result of step 2 multiplied by the under report factor (step 1)
 $\$66,000 \times 1.00 = \$66,000$;
- Step (4) Result of step 3 minus the occurrence deductible
 $\$66,000 - \$15,000 = \$51,000$;
- Step (5) Result of step 4 multiplied by your price election
 $\$51,000 \times .75 = \$38,250$;
- Step (6) Result of step 5 multiplied by your share
 $\$38,250 \times 1.000 = \$38,250$ indemnity payment.

Your peak amount of insurance is reduced to zero. Your amount of insurance is reduced by the amount the indemnity exceeds the peak amount of insurance.

$\$48,000 - (\$38,250 - \$33,750) = \$48,000 - \$4,500 = \$43,500$

Multiple Unit Multiple Loss Example

Assume you have a 100 percent share and the plant inventory value reported by you is \$100,000, your coverage level is 75 percent, and your price election is 75 percent. You have elected optional units and have two optional units, unit 1 and unit 2. Your amount of insurance is \$56,250 ($\$100,000 \times .75 \times .75$). You have a loss on unit 1 and no loss on unit 2. At the time of loss, field market value A on unit 1 is \$60,000, field market value B on unit 1 is \$18,000, and field market value C is \$125,000. The under report factor is .80 ($\$100,000 / \$125,000$). The deductible percentage is 25 percent (100-75), the crop year deductible is \$25,000 (.25 x \$100,000) and the occurrence deductible is \$12,000 (.25 x \$60,000 x .80). Your indemnity would be calculated as follows:

- Step (1) Determine the under report factor
 $\$100,000 / \$125,000 = .80$;
- Step (2) Field market value A minus field market value B
 $\$60,000 - \$18,000 = \$42,000$;
- Step (3) Result of step 2 multiplied by the under report factor (step 1)
 $\$42,000 \times .80 = \$33,600$;
- Step (4) Result of step 3 minus the occurrence deductible
 $\$33,600 - \$12,000 = \$21,600$;
- Step (5) Result of step 4 multiplied by your price election
 $\$21,600 \times .75 = \$16,200$;
- Step (6) Result of step 5 multiplied by your share
 $\$16,200 \times 1.000 = \$16,200$ indemnity payment.

Your crop year deductible is reduced to \$13,000 ($\$25,000 - \$12,000$). Your amount of insurance is reduced to \$40,050 ($\$56,250 - \$16,200$). You do not restock unit 1 after the first loss. Values on unit 2 do not change from the those measured at the time of the loss on unit 1. Assume you have a second loss during the crop year but

this time on unit 2. Field market value A on unit 2 is \$65,000, Field market value B on unit 2 is \$ 0.00 and field market value C on the basic unit is \$83,000. Your loss would be determined as follows:

- Step (1) Determine the under report factor
 $\$66,400 / \$83,000 = .80$;
- Step (2) Field market value A minus field market value B
 $\$65,000 - \$0.00 = \$65,000$;
- Step (3) Result of step 2 multiplied by the under report factor (step 1)
 $\$65,000 \times .80 = \$52,000$;
- Step (4) Result of step 3 minus the occurrence deductible
 $\$52,000 - \$13,000 = \$39,000$;
- Step (5) Result of step 4 multiplied by your price election
 $\$39,000 \times .75 = \$29,250$;
- Step (6) Result of step 5 multiplied by your share
 $\$29,250 \times 1.000 = \$29,250$ indemnity payment.