



BRIEFING

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A Request for Actuarial Change

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Objective Analysis for Informed Decision Making

Introduction:

Farm managers evaluating whether or not to expand their existing crop rotations with the introduction of alternative crops are usually concerned with managing additional production risks.

Farm managers, through their crop insurance agents, may readily determine whether there are offerings of multiple peril crop insurance for the alternative crops they are considering. Crop insurance agents can determine whether or not there are Risk Management Agency actuarial tables for the subject crops available in the counties where production is being considered.

If Risk Management Agency actuarial tables are available for the subject crops in the county, then farm managers may work with their crop insurance agents to obtain the production risk coverage they desire through multiple peril crop insurance offerings. If their choices are to not purchase multiple peril crop insurance offerings, they have chosen to self-insure or they have chosen forms of private sector singular peril coverage available for particular crops. With the choice not to purchase multiple peril crop insurance offerings they have no other mitigation avenues available in the public sector to cover production losses.

If Risk Management Agency actuarial tables are unavailable for the alternative crops under consideration, farm managers have two primary avenues to pursue. They may rely on the Farm Service Agency's Noninsured Crop Disaster Program (the subject of a separate briefing). Or they may file a *Request for Actuarial Change* with their crop insurance agents.

The Process of Filing a *Request for Actuarial Change*:

Before this process is started, what is the expected outcome? A successful Request for Actuarial Change results in a *Written Agreement*. This agreement, if accepted by the farm manager, is an individualized agreement to insure the subject crop in the specified county for that crop year.

The Request for Actuarial Change process is initiated with the farm manager conferring with the local crop insurance agent. The farm manager and the crop insurance agent then complete the appropriate form, FCI-5, *Request for Actuarial Change*.

The form requires the following information:

- The producer's name and address, social security number, and etc.
- The crop, type, and practice
- The location of the proposed production
- An actual production history form with crop production history for the crop requested. There must be actual production history for at least the three most recent years that the crop was seeded
- Farm Service Agency aerial photography of the proposed production location

- Some evidence of the adaptability of the crop.

There are details relative to the information that need to be fully understood by the farm manager and the cooperating crop insurance agent. What is meant by *crop, type, and practice?* Perhaps this is best understood by example:

- *Crop: wheat*
- *Type: winter*
- *Practice: summer fallow*

Crop, type, and practice information may be accessed by crop insurance agents in pertinent county actuaries.

The location of the proposed production requires a *legal description* supported by *Farm Service Agency aerial photography* of the proposed production location.

Crop production history for the subject crop needs to be specified. The crop production history must include acres, yields, and production for the most recent three years the crop was seeded/planted.

Evidence of the adaptability of the subject crop needs to be provided. Production of the subject crop in the area or like areas should be cited.

Once the *Request for Actuarial Change* form is completed, it is forwarded by the farm manager's crop insurance agent to the private sector insurance company the agent represents for research and review.

Subject to the insurance company's review for completeness and accuracy of the information submitted, the request is forwarded to the regional office of the Risk Management Agency, USDA.

RMA Evaluation of a Request for Actuarial Change:

Regional Risk Management Agency specialists will first determine the adaptability of the subject crop. If there is a determination of adaptability, then processing of the request will proceed.

A positive adaptability determination is not assured. The Risk Management Agency determines whether or not crop policies are being written for the subject crop somewhere in the United States. If it is determined that no crop policy exists for the subject crop, insurance coverage cannot be made available to the requesting producer. In other words, there has to be a regular multiple peril crop insurance policy available somewhere in the United States for a Request for Actuarial Change to be successful.

With a positive determination of adaptability of the subject crop covered in the request, the Risk Management Agency specifies a *reference county*. For example, suppose a farm manager in County A requests coverage for exotic peas. An actuarial table for exotic peas exists in 10 other counties in the state, including County B, a county with similar production conditions to County

A. County B then would be designated the *reference county*.

With the adaptability of the subject crop affirmed and the reference county designated, the Risk Management Agency then thoroughly reviews the farm manager's production history for the subject crop. The Risk Management Agency prepares a *Written Agreement* with an insurance rate and coverage level specified.

The Written Agreement:

The farm manager is provided the *Written Agreement* with an insurable price for the subject crop noted. The farm manager may denote a price election for the subject crop from 55 to 100 percent of the insurable price.

The farm manager is also notified of the yield for the subject crop, as specified by the Risk Management Agency.

Once coverage is fully determined and the farm manager has specified the price and yield elections, the per acre premium rate is determined according to the RMA premium method. The farm manager signs the *Written Agreement* to signify acceptance of the coverage at the premium rate determined.

