Agricultural Marketing Policy Center
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B R I E F I N G

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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 crop insurance contract on the subject crop in the specified county for that crop year.

The Request for Actuarial Change process is usually 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
- The crop, type, and practice
- The location of the proposed production
- A actual production history form with crop production history for the crop requested, or a *similar* crop must be completed.
- Farm Service Agency aerial photography of the proposed production location
- There needs to be 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**

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 or *similar* crop needs to be specified. For these purposes the term *similar crop* takes on a relatively generic definition. If the farm manager's subject crop was a particular broadleaf crop, other broadleaf crops would be considered the *similar crop*. The crop production history should include acres, yields, and production for a minimum of three years.
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. Pineapple grown in a green house in the Northern Great Plains would likely not meet the expectations for adaptability.

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 general policies are being written for the subject crop somewhere in the United States. If it is determined that no general policies exist for the subject crop, it is unlikely that insurance coverage can be made available to the requesting producer. In other words, there usually 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 or similar crop. The Risk Management Agency prepares a *Written Agreement* with a premium method specified.

The *Written Agreement:*

The farm manager is provided the Written Agreement with an insurable price for the subject crop, as specified by the Risk Management Agency. 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 actual production history (APH) yield for the subject crop, as specified by the Risk Management Agency based on the relevant production history. The farm manger may select 50, 55, 60, 65, 70, or 75 percent yield coverage for all insurable crops in the county, as well as 80 and 85 percent for select crops.

Once the desired 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.

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