

FLORIDA
CROP HAIL AND
MULTIPLE-PERIL CROP
INSURANCE AGENT
STUDY MANUAL



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The following material is designed to prepare candidates for the crop hail and multi-peril agents license examination. To prepare for this examination, candidates should also study and be familiar with the basic Crop Hail policy. Portions of this manual have been reproduced in cooperation with the Federal Crop Insurance Corporation.

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I.

**THE LEGAL CHARACTERISTICS OF AN
INSURANCE CONTRACT**

1. Offer and Acceptance
2. Consideration
3. Legal Object
4. Competent Parties

REQUIREMENTS OF AN ENFORCEABLE CONTRACT

In order for a contract to be legally binding or enforceable by law, it must have four essential elements. The essential elements of a contract are:

1. Offer and Acceptance
2. Consideration
3. Legal Object
4. Competent Parties: The essential element of a binding contract.

In order to have a legally enforceable contract, there must be a definite unqualified offer by one party. (Example: farmer submitting an application), and this offer must be accepted in its exact terms by the other party (Example: the corporation accepting the application). An insurance contract is legally binding once an agent signs an application. Type of entities participating in Crop Insurance: Individual; corporation; partnership; joint-operators-co-owner; estates; trust; county; state municipal office; agent entities and associations; clubs; tax-exempt agencies.

II.

THE CROP INSURANCE CONTRACT

The contract is composed of **four** (4) basic sections:

1. The Declarations
2. The Insuring Agreement
3. The Exclusions
4. The Conditions

THE CROP INSURANCE CONTRACT

The contract is composed of **four** (4) basic sections:

A. **The Declarations**

These are statements by the insured, which include the name of the insured, identification of the insured, location of property insured and identification of the property insured.

B. **The Insuring Agreement**

These are statements by a company whereby they promise to pay for a loss if it results from a covered peril. An All-Risk policy will cover loss by any peril except those that are specially excluded.

C. **The Exclusions**

These are statements by a company where they state what they will not do. The exclusions are a basic part of the contract and understanding of the contract requires a complete knowledge of the exclusions.

D. **The Conditions**

This is part of the contract that spells out, in detail, the duties and rights of both parties.

THE LEGAL CHARACTERISTICS OF AN INSURANCE CONTRACT

1. It is a personal contract.
2. It is a unilateral contract.
3. It is a contract of adhesion.
4. It is an aleatory contract.
5. It is a contract of utmost good faith.
6. It is a contract of indemnity.

ITS CONTENTS AND LEGAL CHARACTERISTICS

THE INSURANCE CONTRACT: The contract used by All-Risk crop insurance has all six characteristics of an insurance contract. We will see and note these characteristics as we look at the contents of the contract.

- | | |
|------------------------|---|
| List of (6) | A. It is a personal contract. |
| Legal | B. It is a unilateral contract. |
| Characteristics | C. It is a contract of adhesion. |
| | D. It is an aleatory contract. |
| | E. It is a contract of utmost good faith. |
| | F. It is a contract of indemnity. |

MISREPRESENTATION AND FRAUD

The Corporation may void the contract without affecting the insured's liability for premiums or waiving any right, including the right to collect any unpaid premiums if, at any time, the insured has concealed or misrepresented any material fact or committed any fraud relating to the contract, and such voidance shall be effective as of the beginning of the crop year with respect to which such act or omission occurred.

- Fraud**
1. Contract may be voided if the insured has:
 - a. Concealed information.
 - b. Misrepresented material fact.
 - c. Committed fraud.
 2. Claim for indemnity will be denied.
 3. Premium will be due.

Insurance is a contract of utmost good faith. Concealment must involve a material fact which would have changed the underwriting basis of the policy. A misrepresentation of a material fact may provide grounds for voiding the policy even though the misrepresentation was unintentional.

Personal Contract A. Although the insurance applies to production, the risk is transferred to the company from the individual.

Unilateral Contract B. Only one of the parties to the contract is legally bound to do anything. The insured makes no promises that he can legally be required to keep. It is true that an insurance contract is a conditional contract, and if the insured violates certain conditions of the contract he may be prevented from collecting, but he cannot be required to keep any of the conditions.

Contract of Adhesion C. This means that it is prepared by one of the parties (the company) and accepted or rejected by the other (the insured). It is not about the provisions. Because the company has the right to draw up the contract, the courts have held that any ambiguity in the contract should be interpreted in favor of the insured.

The fact that the insurance policy is a contract of adhesion and the insured must accept or reject the terms as they are written, makes the doctrine of "presumption of intent" rather important in the areas of insurance. Under the doctrine of "presumption of intent", the courts have ruled that a person is bound by the terms of a written contract, which he signs or accepts, whether he reads the contract or not. In other words, the court assumes that the insured has read his contract and agreed with the terms thereof.

Under the terms of the policy, the insurance company promises to reimburse the insured his financial loss up to the amount of the insurance he has purchased, no more. In simplest terms, an individual should not be permitted to make a profit through insurance.

There are **three (3)** important principles which back up this legal characteristic:

1. **Insurable interest** – He can only insure what he has an interest in.
2. **Subrogation** – When he collects from an insurance company for the full value of the loss due to a third party, he loses his right to collect damages from the third party.
3. **Apportionment** – Pro-rata clause – He cannot collect more than the actual value of his loss.

DEFINITION OF TERMS

For the purpose of crop insurance:

- (a) **“Actuarial Table”** – means the forms and related material for the crop year approved by the Corporation which are on file for public inspection in the office for the county, and which show the production guarantees, coverage levels, premium rates, prices for computing indemnities, insurable and uninsurable acreage, and related information regarding insurance in the county.
- (b) **“Appraisal”** – means if the insured fails to agree with the company on the percentage of loss caused by one of the insured perils, the following procedure will be used:
- a) One of the party’s will demand in writing that the percentage of loss by set by appraisal.
 - b) Each party will select a competent appraiser and notify the other of the appraiser’s identity within 10 days after receipt of the written demand.
 - c) The two appraisers will then select a competent, impartial umpire. If within 10 days of the selection of the appraisers, the two appraisers are unable to agree upon an umpire, either party can ask a judge of a out of record, in the state which the insured crop is grown, to select an umpire. If the court fails to act on the request within 30 days, either party can ask the American Arbitration Association to select an umpire.
 - d) The appraisers will then set the percentage of loss. The appraisers’ written agreement will be final and binding.
 - e) If the appraisers fail to agree within 10 days, they will submit their difference to the umpire. Written agreement signed by any two of these three will set the percentage of loss. This written report of an agreement will be final and binding.
 - f) In the event either party fail to select an appraiser within the time allowed herein, the appraiser selected by the other party will set the percentage of loss and his written report will be final and binding.
 - g) The determination of the percentage of loss rendered by these procedures may be entered in any court of competent jurisdiction as a final judgment.

Each appraiser will be paid by the party selecting that appraiser. Other expenses of the appraisal and compensation of the umpire will be paid equally by both party’s.

- (c) **“County”** – means the county shown on the application and any additional land located in a local producing area bordering on the county, as whose on the actuarial table.
- (d) **“Crop Year”** – means the period within which the crop is normally grown and shall be designated by the calendar year in which the crop is normally harvested.
- (d) **“Feasible to Replant”** – When the remaining growing season is considered sufficient for a crop to reach maturity.
- (e) **“Fire Department Service Charge”** – We will pay up to \$500 for your obligation assumed by contract or agreement for fire department charges incurred when the fire department is called to save or protect the unharvested crop.
- (f) **“Harvest”** – Harvest will be defined in the individual crop sessions.
- (g) **“Insurable Acreage”** – means the land classified as insurable by the Corporation and shown as such on the county actuarial table.
- (h) **“Insured”** – means the person who submitted the application accepted by the Corporation.
- (i) **“Office for the County”** – means the Corporation’s serving the county shown on the application for insurance or such office may be designated by the Corporation.
- (j) **“Person”** – means an individual, partnership, association, corporation, estate, trust, or other business enterprise or legal entity, and wherever applicable, a State, a political subdivision of a State, or any agency thereof.
- (k) **“Share”** – means the interest of the insured as landlord, owner-operator, or tenant in the insured crop at the time of seeding as reported by the insured or as determined by the Corporation, whichever the Corporation shall elect, and no other share shall be deemed to be insured: *Provided*, (1) that for the purpose of determining the amount of indemnity, the insured share shall not exceed the harvest on the unit, (2) the calendar date for the end of the insurance period, or (3) the date the entire crop on the unit is destroyed, as determined by the Corporation.

- (l) **“Tenant”** – means a person who rents land from another person for a share of the crop or proceeds there from.
- (m) **“Unit”** – The term unit is defined as an identifiable tract of land, as determined by corporation guidelines, on which is grown an insurable crop.
- (n) **“Transit Coverage” (except cotton and tobacco)** – While the harvested crop is being transported to the first place of storage not to exceed 100 miles, this policy is extended to
cover loss caused by:
- (1) Fire and Lightning
 - (2) Windstorm
 - (3) Collision
 - (4) Overturn
 - (5) Collapse of bridges, docks and culverts

However, Transit Coverage is excess over any other valid and collectible insurance.

FEDERAL CROP INSURANCE:
AN OVERVIEW

LIFE OF CONTRACT: CANCELLATION AND TERMINATION. The contract shall be in effect for the crop year specified on the application and may not be cancelled for such crop year. Thereafter, either party may cancel the insurance for any crop year by giving a signed notice to the other on or before the cancellation date preceding such crop year.

Cancellation

1. Contract may not be cancelled during the crop year specified on the application.

(**Exception:** Mutual consent cancellation for unavoidable causes.)

2. Thereafter, must be cancelled by **signed** notice of either party to the contract prior to posted cancellation date.

Note:

Give an example of how this provision works. (i.e., Farmer must sign a Specific form to cancel his insurance for the next crop year prior to the calendar date posted for cancellation.)

NOTICE OF DAMAGE OR LOSS. Notice shall be given at least **fifteen (15)** days prior to the beginning of harvest if the crop on any unit is damaged to the extent that a loss is probable but will be harvested. If probable loss is not determined until less than **fifteen (15)** days prior to the beginning of harvest on a unit, notice shall be given immediately and a representative sample of the unharvested crop (at least **10** feet wide and the entire length of the field) shall remain intact for a period of **fifteen (15)** days from the date of the notice, unless the Corporation gives written consent to the insured to harvest the representative sample.

- Loss Notice Requirements**
1. **Fifteen (15)** day notice before harvest is required where probable loss exists and crop will be harvested.
 2. Immediate notice is required if loss occurs less than **fifteen (15)** days prior to harvest.
A **ten (10)** foot wide strip length of field shall remain intact **fifteen (15)** days from date of notice or until released by Corporation.

Note: The **fifteen (15)** day notice of damage has been brought into existence because of isolated, heavy loss situation in a non-loss area. This provision is to protect the farmer from higher premium, lower coverage's due to losses used by fraudulent claims. This **fifteen (15)** day notice provides an avenue to help curb these isolated, heavy loss situations.

CLAIM FOR INDEMNITY. It shall be a condition precedent to the payment of any indemnity that the insured (1) establish the total production of the crop on the unit and that any loss of production has been directly caused by one or more of the insured causes during the insurance period for the crop year for which the indemnity is claimed and (2) furnish any other information regarding the manner and extent of loss as may be required by the Corporation.

- Claim Requirements**
1. Insured shall establish total production on the unit – provide evidence of production (i.e., scale tickets, ledger sheets, bin locations.)
 2. Insured shall establish that loss was caused by one or more insured causes.
 3. Insured shall furnish any other information pertinent to settlement of the claim.

NOTICE OF DAMAGE OR LOSS. (a) Any notice of damage or loss shall be given **promptly** in writing by the insured to the Corporation at the office for the county. (b) Notice shall be given promptly if, during the period before harvest, the crop on any unit is damaged to the extent that the insured does not expect to further care for the crop or harvest any part of it, or if the insured wants the consent of the Corporation to put the acreage to another use. **No insured acreage shall be put to another use** until the Corporation has made an appraisal of the potential production of such acreage and consents in writing to such other use. Such consent shall not be given until it is too late or impractical to reseed or replant the initially **PLANTED** crop. Notice shall also be given when such acreage has been put to another use.

Request for

1. Responsibility of Insured:

Notify the Corporation through the agent immediately if acreage is to be put to another use or if crop will be abandoned.

**DO NOT PUT ACREAGE TO ANOTHER USE WITHOUT
CORPORATION CONSENT.**

CLAIM FOR INDEMNITY

QUALITY ADJUSTMENT – Mature production of a crop is graded according to U. S. Grain Standards. Each crop has the standards listed in the policy. The policy states when the crop is eligible for quality adjustment.

- Moisture
And Quality
Adjustment**
1. A quality adjustment will be made for production.
 2. U. S. Grain Standards are used to guide the quality adjustment of the crop.
 3. **Dry weight** will be used for indemnity computations for grain policies.
 4. A crop value will be determined by comparing the poor quality grain with a good quality grain.

- Insurance
Concept**
- Elements of an Insurable Risk
- The loss must be beyond the control of the insured. Low-test weight is beyond the control of the producer and normally results from an insurable cause of loss.

Indemnities shall be determined separately for each unit. If the premium computed on the insured acreage and share is more than the premium computed on the reported acreage and share, the amount of indemnity shall be computed on the reported acreage and share and then reduced proportionately. The total production to be counted for a unit shall be determined by the Corporation and shall include all harvested and appraised production.

- Claims**
1. Indemnities will be determined on a unit basis.
 2. Indemnity will be computed on insured (determined) acres and share, then reduced proportionately when acreage or share is under-reported.
 3. The total production for a unit will include all appraised production (if any) plus all harvested production (if any).
 4. The formula for computing the indemnity is contained in this section of the crop policy.
 5. The basic formula for computing indemnity is:

- A. Insured Acreage x Guarantee per Acre = Unit Guarantee.
- B. Unit Guarantee – any appraised and/or harvested production = Unit Loss.
- C. Unit Loss x Price Election = Dollar Loss.
- D. Dollar Loss x Share = Indemnity Payment.
- E. This will be covered in greater detail in the individual crop sessions.

Appraised production that will be counted involves several different situations.

Appraised production to be counted shall include not less than the applicable guarantee for any acreage which is abandoned or put to another use without prior written consent of the Corporation or damaged solely by an uninsured cause.

- WOC**
1. **“Without Consent”** assigned production will not be less than applicable harvested guarantee.
 2. The Corporation will not pay losses on a claim or portion of a claim where the responsibilities of the insured were not followed as stated in the insurance contract.
 3. The Corporation does not want actuarial imbalance caused by insured’s not following contract guidelines.

CLAIM FOR AND PAYMENT OF INDEMNITY. (a) Any claim for indemnity on a unit shall be submitted to the Corporation on a form prescribed by the Corporation, (b) In determining the total production to be counted for each unit, production from units on which the production has been commingled will be allocated to such units in proportion to the liability on each unit.

Commingled Production Commingled production will be allocated to units in proportion to liability on each unit.

Note: Agent shall caution insured about consequences of commingling.

The appraised potential production for acreage for which consent has been given to be put to another use shall be counted as production in determining the amount of loss under the contract. **However**, if consent is given to put acreage to another use and the Corporation determines that any such acreage (1) is not put to another use before harvest of wheat becomes general in the county, (2) is harvested, or (3) is further damaged by an insured cause before the acreage is put to another use, the indemnity for the unit shall be determined without regard to such appraisal and consent.

Appraisal Appraised potential production shall not be used in computing indemnity if:

- (a) Acreage is not put to another use before harvest becomes general in the county.
- (b) Acreage is harvested.
- (c) Further damage occurs before acreage is put to another use.

Note: Provide an example of each:

- (a) i.e., An appraisal is made in June. It is now September and harvest is general.
- (b) i.e., Actual harvest production is used instead of an appraisal.
- (c) i.e., An appraisal is made July 1. On July 3 there is more damage.

CLAIM AND PAYMENT OF INDEMNITY

In the event that any claim for indemnity under the provisions of the contract is denied by the Corporation, an action on such claim may be brought against the Corporation under the provisions of 7 U.S.C. 1508(c), as amended: Provided, that the same is brought within **one (1) year** after the date notice of denial of the claim is mailed to and received by the insured.

*Any indemnity will be payable within **thirty (30) days** after a claim For indemnity is approved by the Corporation. However, in no event Shall the Corporation be liable for interest or damages in connection with any claim for indemnity, whether such claim be approved or disapproved by the Corporation.*

- Interest on Claims**
1. **NO** interest or damage shall be assessed against the connection with any claim.
 2. Indemnities shall be payable within **thirty (30) days** after Corporation approval.

There shall be **no** abandonment to the Corporation of any insured crop acreage.

- Abandonment**
1. Insured cannot simply abandon crop to the Corporation because price election is higher than market price.
 2. Insured cannot abandon crop due to loss of interest in caring for the crop.
 3. The insured cannot tell the Corporation that the crop being raised belongs to the Corporation.
The unharvested crop cannot be given to the Corporation in lieu of premium payment.

The Corporation reserves the right to reject any claim for indemnity if any of the requirements of this section are not met, and the Corporation determines that the amount of loss cannot be satisfactorily determined.

Disclaimer 1. All requirements must be met or the Corporation may reject any claim for indemnity.

Review 2. In review, the requirements are:

- (a) Claim shall be submitted on Corporation Form.
- (b) Commingled units will be settled by Corporation guidelines.
- (c) There is **no** abandonment to the Corporation of any crop.
- (d) Action on a claim may be brought against the Corporation
- (e) Indemnity will be paid within **thirty (30) days**.
- (f) If an entity is dissolved, the Corporation will determine who receives the indemnity.

If the insured is an individual who dies, disappears, or is judicially declared incompetent, or the insured is an entity other than an individual and such entity is dissolved after the wheat is seeded for any crop year, any indemnity will be paid to the person(s) the Corporation determines to be beneficially entitled thereto.

Beneficiary 1. Corporation will determine who shall receive indemnity in the case of death, incompetence or dissolution of entity other than the individual.

2. This determination is in effect only if such death, incompetence or dissolution occurs after the crop is seeded in applicable crop year.

Note: Provide an example:
i.e., Insured dies and indemnity goes to heirs, etc.

ASSIGNMENT OF INDEMNITY. Upon approval of a form prescribed by the Corporation, the insured may assign to another party the right to an indemnity for the crop year and such assignee shall have the right to submit the loss notices and forms as required by the contract.

- Assignment**
1. Insured may assign indemnity (i.e., to banks, FMHA, or any other party).
 2. Assignee has the right to submit loss notices and forms require by contract.
 3. This insurance can be used as collateral.

Note: The assignment of indemnity is made possible because of the insurance contract.

It is the instrument through which transfer or risk was made from the individual top the company, in consideration of premium paid, promises to indemnify the insured in the event of a loss, if the insured has abided by the provisions of the contract. This transfer of risks to the company gives the insured a guaranteed income which becomes collateral.

TRANSFER OF RIGHT TO INDEMNITY ON INSURED SHARE. If the insured transfers any part of the insured share during the crop year, the insured may transfer the right to an indemnity on an approved form. The insured shall be liable for the premium if such form is or is not executed. If such form is executed, the transferee shall have the same rights and responsibilities as the original insured for the current crop year.

- Transfer**
1. Insured **may** transfer right of indemnity during insurance period.
 2. Transfer is jointly and severally liable for premium unless transfer form is executed.
 3. Transferee shall have **same rights and responsibilities as original insured** for the current crop year **provided** transfer form is processed.

CAUSES OF LOSS NOT INSURED AGAINST. The contract shall not cover any loss of production due to (1) the neglect or malfeasance of the insured, any member of the insured's household, the insured's tenants or employees, (2) failure to follow recognized good farming practices, (3) damage resulting from the backing up of water by any governmental or public utilities dam or reservoir project, or (4) any cause not specified as an insured cause in this policy as limited by the actuarial table.

CAUSES OF LOSS. Causes of loss insured against. The insurance provided is against unavoidable loss of production resulting from the adverse weather conditions, insects, plant disease, wildlife, earthquake or fire occurring within the insurance period, subject to any exceptions exclusions or limitations with causes of loss that are shown on the actuarial table.

SUBROGATION. The insured (including any assignee or transferee) assigns to the Corporation all rights of recovery against any person for loss or damage to the extent that payment hereunder is made by the Corporation. The insured thereafter shall execute all papers required and take appropriate action as may be necessary to secure such rights.

Rights of Recovery 1. The insured assigns to the Corporation all rights of recovery against any person responsible for loss or damage to the extent of payment made by the Corporation.

2. The insured shall execute all papers necessary to secure such rights, thereafter.

Insurance Contract of Indemnity, Subrogation

Contract This is an enforcing principle of the contract of indemnity.

Characteristics

If the policy did not contain this provision, or if the principle of subrogation did not exist, the insured would in effect be able to collect **twice**; once from the insurance company and again from the negligent third party. The subrogation clause eliminates this possibility.

**SUMMARY OF DISTNCTIONS BETWEEN CROP-HAIL INSURANCE
AND ALL-RISK CROP INSURANCE**

CROP-HAIL/FIRE INSURANCE	FEATURES KEY COMPARED	ALL-RISK CROP INSURANCE FCIC
(1) May be applied for at any time; becomes effective not before 12:01am on the date following the day the application is signed, or whenever the crop is up and showing a normal stand, whichever is later.	(1) How and when coverage is taken out; when it becomes effective.	(1) A new policy must be applied for not later than the sales closing date. Coverage becomes effective on grain crops when the crop is planted. For the coverage to become effective, the crop must be planted not later than the last planting date for the crop in the county.
(2) Coverage is by the acre for the crop.	(2) The basis of the coverage's.	(2) Coverage is by the farm unit acreage for the crop.
(3) The producer sets the value of the crop per acre, not to exceed the normal market value. May be written with a deductible or minimum loss clause.	(3) How amount of coverage is determined.	(3) As a guarantee for the farm unit by crop determined by: <ul style="list-style-type: none"> (a) normal yield of crop, established as an area average or by individual farm production records; (b) Taking 50, 65, or 75% thereof as elected by the producer to get production guarantee for the farm unit (cont'd on next page – page 21)

**SUMMARY OF DISTINCTIONS BETWEEN CROP-HAIL INSURANCE
AND ALL-RISK CROP INSURANCE**

CROP-HAIL/FIRE INSURANCE	FEATURES KEY COMPARED	ALL-RISK CROP
		(cont'd. from page 22) (c) The dollar amount of coverage is obtained by the farm unit production guarantee x price election per bushel. No deductibles apply, but if the crop is harvested, the guarantee is increased.
(4) For the acreage affected, determine the percentage reduction in yield caused by hail. Take this percent of the amount of insurance less any deductible and apply to the affected acreage.	(4) How the loss is determined.	(4) Determine the production for the farm unit and adjust for quality if required; compare net production realized with the production guaranteed for the unit. If production is less, then the difference x the elected price x interest share is the amount of indemnity.
(5) Covers for specific named insured causes of loss (Hail, Fire, Lightning).	(5) Causes of Loss covered.	(5) Covers for all unavoidable causes of loss (Frost, Flood, Freeze, Hail, Fire, Wind, Insects, Wildlife, Drought, Disease, etc.).

SUMMARY OF DISTINCTIONS BETWEEN CROP-HAIL INSURANCE AND ALL-RISK CROP INSURANCE

THERE ARE SOME SIMILARITIES:

1. Insurance contract established the insured identification, crop insured, share, and acres.
2. Anyone with an insurable interest in the crop can buy.
3. Insured can elect dollar amount insured.
 - a. **Hail**: Up to full value of the crop, but **not** to exceed. Companies prefer policies written at 80% of value.
 - b. **All-Risk**: Up to 75% of the county average production.
4. Insured can tailor the coverage to his needs.
 - a. **Hail**: Select the amount of coverage desired since rates are proportionate to coverage.
 - b. **All-Risk**: Select the amount desired through levels and elections chosen. The rates are proportionate to coverage.

RESPONSIBILITY OF INSURED TO REPORT ACREAGE AND SHARE.

The insured shall submit to the Corporation on a form prescribed by the Corporation, a report showing **all acreage of the insured crop in the county** (including a designation of any acreage to which insurance does not attach) in which the insured has a share and the insured's share therein at the time of seeding. Such report shall be submitted each not later than a date on file in the office for the county.

Insured Responsibility:

- Acreage**
1. Insured must report all insurable acreage by a pre-set date in which he has an insurable share.
 2. Insured must also designate acreage to which the insured does not attach.

The insurance contract is designed to protect the individual against financial loss which he himself suffers. The insured must prove that he had an insurable interest at the time of loss in order to collect. This is the reason All-Risk Crop Insurance has and uses the Acreage Report.

CROP AND ACREAGE INSURED

The crop insured is described. The acreage that can be insured must show a guarantee and rate in the actuarial table. This acreage is to be reported by the insured or be determined by the Corporation in which the insured has a share.

Crop and Acreage Insured The policy will tell you when insurance attaches for the specific crops. Insurance must always attach to a crop before any coverage is available. This is shown on the acreage report.

NOTE: Provide an example (i.e., Wheat).

Crop and Acreage Insured. (a) The crop insured shall be wheat which is seeded for harvest as a grain, and for which the actuarial table shows a guarantee and premium rate per acre, and which is grown on insured acreage.

(b) The acreage insured for each crop year shall be that acreage seeded to wheat on insurable acreage, as shown on the actuarial table, and as reported by the insured or as determined by the Corporation, whichever the Corporation shall elect, in which the insured has a share.

NOTICE OF DAMAGE OR LOSS. (a) Any notice of damage or loss shall be given **promptly** in writing by the insured to the Corporation at the office for the county. (b) Notice shall be given **promptly** if, during the period before harvest, the crop on any unit is damaged to the extent that the insured does not expect to further care for the crop or harvest any part of it, or if the insured wants the consent of the Corporation to put the acreage to another use. **No insured acreage shall be put to another use** until the Corporation has made an appraisal of the potential production of such acreage and consents in writing to such other use. Such consent shall not be given until it is too late or impractical to reseed or replant the initially planted crop. Notice shall also be given when such acreage has been put to another use.

**Request for
Release**

1. Responsibility of Insured:

Notify the Corporation through the agent immediately if acreage is to be put to another use or if crop will be abandoned.

**DO NOT PUT ACREAGE TO ANOTHER USE WITHOUT
CORPORATION CONSENT.**

ACREAGE INSURED. If the insured does not submit an acreage report on or before the date on file in the office for the county, the Corporation may elect to determine by units the insured acreage and share or declare the insured acreage on any unit(s) to be “zero”. If the insured does not have a share in any insured acreage in the county for any year, the insured shall submit a report so indicating. Any acreage report submitted by the insured may be revised only upon approval of the Corporation.

ACREAGE INSURED. The Corporation reserves the right to limit the insured acreage of a crop to any acreage limitations established under any Act of congress, provided the insured is so notified in writing prior to insurance attaching.

Acreage Insured

1. Corporation may limit insured acreage to any acreage limitations established under any act of Congress.

a) Insured must be notified in writing prior to insurance attaching (For

example: the seeding of the crop).

The Reason Because All-Risk crop insurance is a legislated program, we must follow the dictates of any Act of Congress concerning any part of our insurance program.

NOTICE OF DAMAGE OR LOSS. Notice shall be given at least **fifteen (15) days** prior to the beginning of harvest if the crop on any unit is damaged to the extent that a loss is probable, but will be harvested. If probable loss is not determined until less than **fifteen (15) days** prior to the beginning of harvest on a unit, notice shall be given immediately and a representative sample of the unharvested crop (at least **10 feet** wide and the entire length of the field) shall remain intact for a period of **fifteen (15) days** from the date of the notice, unless the Corporation gives written consent to the insured to harvest the representative sample.

Loss Notice

1. **Fifteen (15) day** notice before harvest is required where probable loss exists and crop will be harvested.
2. Immediate notice is required if loss occurs less than **Fifteen (15) days** prior to harvest.

Ten (10) foot-wide strips length of field shall remain intact **fifteen (15) days** from date of notice or until released by the Corporation.

NOTE: The **fifteen (15) day** notice of damage has been brought into existence because of isolated, heavy loss situation in a non-loss area.

III.

ACTUARIAL STRUCTURE
RESOURCE MATERIAL – ACTUARIAL PROCESS

**Establishing Amount
of Coverage**

The Federal Crop Insurance Act of 1879 sets two general upper limits on the amount of insurance.

1. It shall not exceed 75% of the 10 year average yield for the farm (as determined primarily by USDA's Statistical Reporting Service, SRS).
2. The maximum price election offered cannot exceed the projected market price for the commodity insured.

The combination of these two limits tend to prevent "farming for insurance" and the risk of a higher return from the insurance than from selling the crop in the marketplace.

- A. The process of establishing coverage's begins at the top. County figures are first developed by actuarial specialists in the Actuarial Division. The average per acre yield for the crop is based, in part, on USDA statistics from various sources (SRS). Statistics for a representative number of years are gathered

and

used to calculate the per acre yield and updated periodically. The yield figures are in bushels or other commodity units.

- B. After the figure for the county is established, it is sent to an underwriter in the area who, with the assistance of local farmers, USDA representatives, and others, makes such variations in coverage's as are warranted between different parts of the county. The basic consideration is the productivity of the land.

ACTUARIAL STRUCTURE

RESOURCE MATERIAL – ACTUARIAL PROCESS (cont'd.)

Establishing Amount of Coverage (cont'd.)

Yield records, soil maps, and other sources of information are used in classifying the county into areas, some with higher coverage's than others. An area does not have to be contiguous land; it may consist of land with the same productivity in different parts of the county. The average of the coverage's established for the different areas, weighted by acreages in these areas, and cannot exceed the county limit established by the Actuarial Division. There are some deviations from the area method of establishing coverage's. In a number of counties, coverage is established on an individual farm or producer basis by listing the name of the owner, operator, or farm based on past production history or appraised productivity of each. In practice, a number of different coverage classifications (usually 3 to 10) are established for a county and each person or farm is assigned one of these classifications. In some cases, the area method is followed in establishing coverage's, but a supplemental listing of farms or producers is prepared providing exceptions for individual farms or producers. This is utilized where individual farms or producers are known to be significantly better or poorer than the area in which they are located.

Consideration is given in the establishment of coverage's to local knowledge about the different land areas, the statistical records of past production, premium limits, and the restrictions in the legislation.

Different coverage's are often established by farming practices such as irrigation, summer fallow, etc.

ACTUARIAL STRUCTURE

RESOURCE MATERIAL – ACTUARIAL PROCESS (cont'd.)

Establishing Amount of Premium

Insuring crops against essentially all unavoidable hazards at rates producers can afford to pay seem impossible. However, such insurance can be devised to provide protection against many causes of loss at practical rates. This is due to the inclusion of some economy features.

Crop insurance bases the loss on the net effect of favorable as well as unfavorable weather factors. Obviously, this is less expensive than just to consider insurance against only the unfavorable factors. The Corporation does not guarantee the full usual production, but only 75 percent or less of the average over a representative period of years. Thus, the producer bears the loss until the yield drops 25 percent or more below the average or usual production. This is the part of the loss which the producer can bear with the least difficulty. He is indemnified only for the more severe losses when the yield is more than 25 percent below the usual production. It would be much more expensive to insure him for all the decline in yield below the longtime average yield and would required very high and impractical rates.

There is an important point that should be noted with regard to the guarantee per acre. Take for example coverage of 15 bushels per acre. The 15th bushel has the least chance to be produced and therefore it is the most expensive bushel to insure. The 14th has a little more chance to be produced and is a little less expensive to insure. The 13th, in turn, has more produced than the 14th and is less expensive to insure. Following this reasoning, 10 bushels can be insured for a premium less than two-thirds the premium for

ACTUARIAL STRUCTURE

RESOURCE MATERIAL – ACTUARIAL PROCESS (cont'd.)

Establishing Amount of Premium (cont'd.)

insuring 15 bushels. So while the higher coverage's are attractive for better protection, the lower for coverage's are attractive for the lower premium costs.

The Federal Crop Insurance Act provides that the Corporation shall fix adequate premiums for insurance at such rates as the Board of Directors deems sufficient to cover claims for crop losses and to establish as expeditiously as possible a reasonable reserve against unforeseen losses. It should be noted that, while the law provides that the premiums charged shall be adequate to cover losses and set up a reserve, no provision is made that the premium rate should include any amount for the cost of operating and administrative expenses. In fact, the law authorizes an annual appropriation for operating and administrative expenses. In computing premiums for insurance, the Corporation does not include operating and administrative expenses but does attempt to develop a premium adequate to pay the losses and set up a reserve for unforeseen losses.

In establishing rates, the Corporation tries to fit the rate of the risk to the class, group, or area. It does not attempt to undercharge some areas and overcharge others.

It is possible to predict the perils a growing crop will be subject to prior to the time the crop is planted. However, past history provides a measure of productivity of the soil and the management skills of the operator. Current crop history provides a measure of the productivity of the soil and the management skills of the

ACTUARIAL STRUCTURE

RESOURCE MATERIAL – ACTUARIAL PROCESS (cont'd.)

Establishing Amount of Premium (cont'd.)

operator. Current crop policies provide a method of utilizing past insurance experience to adjust the current year's premium for the crop. Under this system, insured's who have favorable insurance experience, consisting of continuous years of participation with an acceptable loss ratio (the ratio of indemnities paid to premium earned), receive premium reductions.

Insured's who have unfavorable insurance experience (frequent loss years and excessive loss ratios) will find their premium increased. This method serves to provide premium equity for all insured's.

The processes by which the premium rate is determined are similar to those used in establishing coverage's.

The Actuarial Division establishes the average premium rate for the county. The average premium rate for the county is based on losses per acre over a specified number of years, not by compiling different charges for each type of risk (drought, flood, hail, etc.) that might damage the crop. The methods of estimating the losses are too varied and complicated to be given here, except to point out that two kinds of yield data are used. One is yield records for individual farms, which are seldom available or usually cover only a few years. The other source is Department of Agriculture estimates (SRS), which reflect losses per acre due to all causes, not just specific ones. From the county average crop loss, the Actuarial Division can establish premium rates covering all risks.

ACTUARIAL STRUCTURE
RESOURCE MATERIAL – ACTUARIAL PROCESS (cont'd.)

**Establishing Amount
of Premium (cont'd.)**

When the Actuarial Division establishes the county premium rate, it is sent to the appropriate field underwriting office. An underwriter, with the assistance of local people, classifies the county into risk areas and establishes the rate differentials between areas, taking into consideration the risks of production. Crop insurance experience in previous years plays an important part.

After an insurance program is started, the premium rate increasingly reflects the actual county loss experience.

The Field Underwriter adjusts the rate to the classified risk areas in the county. The result may be more than one premium rate depending on the number and type of risk areas. Each area within the county reflects the productivity of the land expressed in the coverage or guarantee and the risk of producing that guarantee is reflected in the premium rate.

Final approved coverage's and premium rates for areas are listed in the county actuarial table and, together with the official maps and lists of the area, the table becomes an official record of insurance terms for land in the county. These Actuarial documents are kept on file in the agent's office and are available for inspection by insured's.

IV.

FLORIDA STATUTES

626.231 Eligibility; application for examination.—

(1) No person shall be permitted to take an examination for license until his or her application for examination or application for the license has been approved and the required fees have been received by the department or a person designated by the department to administer the examination.

(2) A person required to take an examination for a license may take an examination before submitting an application for licensure pursuant to s. 626.171 by submitting an application for examination through the department's Internet website or the website of a person designated by the department to administer the examination. The department may require the applicant to provide the following information as part of the application:

- (a) His or her full name, date of birth, social security number, e-mail address, residence address, business address, and mailing address.
- (b) The type of license which the applicant intends to apply for.
- (c) The name of any required preclicensing course he or she has completed or is in the process of completing.
- (d) The method by which the applicant intends to qualify for the type of license if other than by completing a preclicensing course.
- (e) The applicant's gender.
- (f) The applicant's native language.
- (g) The highest level of education achieved by the applicant.
- (h) The applicant's race or ethnicity.

However, the application form must contain a statement that an applicant is not required to disclose his or her race or ethnicity, gender, or native language, that he or she will not be penalized for not doing so, and that the department will use this information exclusively for research and statistical purposes and to improve the quality and fairness of the examinations.

(3) Each application shall be accompanied by payment of the applicable examination fee.

History.—s. 202, ch. 59-205; ss. 13, 35, ch. 69-106; s. 3, ch. 76-168; s. 1, ch. 77-457; s. 3, ch. 81-282; ss. 2, 3, ch. 81-318; ss. 165(2nd), 217, 807, 810, ch. 82-243; s. 5, ch. 85-

208; s. 7, ch. 88-166; ss. 22, 206, 207, ch. 90-363; s. 4, ch. 91-429; s. 219, ch. 97-102; s. 919, ch. 2003-261; s. 27, ch. 2004-390; s. 4, ch. 2006-184; s. 6, ch. 2012-209.

626.241 Scope of examination.—

(1) Each examination for a license as an agent or adjuster shall be of such scope as is deemed by the department to be reasonably necessary to test the applicant's ability and competence and knowledge of the kinds of insurance and transactions to be handled under the license applied for, of the duties and responsibilities of such a licensee, and of the pertinent provisions of the laws of this state.

(2) Examinations given applicants for license as a general lines agent shall cover all property, casualty, and surety insurances, except as provided in subsection (5) relative to limited licenses.

(3) Examinations given applicants for a life agent's license shall cover life insurance, annuities, and variable contracts.

(4) Examinations given applicants for a health agent's license shall cover health insurance.

(5) Examinations given applicants for a limited agent license shall be limited in scope to the kind of business to be transacted under such license.

(6) In order to reflect the differences between adjusting claims for an insurer and adjusting claims for an insured, the department shall create an examination for applicants seeking licensure as a public adjuster and a separate examination for applicants seeking licensure as an all-lines adjuster.

(a) Examinations for a license as an all-lines adjuster must cover adjusting in all lines of insurance, other than life and annuity.

(b) An examination for workers' compensation insurance or health insurance is not required for public adjusters.

(7) Examinations given applicants for licensure as title agents must cover title insurance, abstracting, title searches, examination of title, closing procedures, and escrow handling.

(8) An examination for licensure as a personal lines agent shall be limited in scope to the kinds of business transacted under such license.

(9) This section applies to any person who submits an application for license and to any person who submits an application for examination prior to filing an application for license.

History.—s. 203, ch. 59-205; s. 7, ch. 61-441; s. 1, ch. 65-16; ss. 13, 35, ch. 69-106; s. 2, ch. 73-31; s. 3, ch. 76-168; s. 1, ch. 77-457; s. 88, ch. 79-40; ss. 1, 3, ch. 81-282; ss. 2, 3, ch. 81-318; ss. 168, 217, 807, 810, ch. 82-243; ss. 23, 206, 207, ch. 90-363; s. 4, ch. 91-429; s. 7, ch. 92-318; s. 7, ch. 92-328; s. 920, ch. 2003-261; s. 18, ch. 2004-374; s. 28, ch. 2004-390; s. 5, ch. 2006-184; s. 8, ch. 2008-220; s. 7, ch. 2012-209; s. 11, ch. 2014-123; s. 4, ch. 2015-180.

626.251 Time and place of examination; notice.—

(1) The department, or a person designated by the department, shall provide notice of the time and place of the examination to each applicant for examination and each applicant for license required to take an examination who will be eligible to take the examination as of the examination date. The notice shall be e-mailed to the applicant at the e-mail address shown on the application for license or examination. Notice is deemed given when so mailed.

(2) The examination shall be held in an adequate and designated examination center in this state.

(3) The department shall make an examination available to the applicant, to be taken as soon as reasonably possible after the applicant is eligible therefor. Any examination required under this part shall be available in this state at a designated examination center.

History.—s. 204, ch. 59-205; ss. 13, 35, ch. 69-106; s. 3, ch. 76-168; s. 1, ch. 77-457; s. 3, ch. 81-282; ss. 2, 3, ch. 81-318; ss. 169, 217, 807, 810, ch. 82-243; s. 6, ch. 85-208; s. 8, ch. 88-166; ss. 24, 206, 207, ch. 90-363; s. 4, ch. 91-429; s. 220, ch. 97-102; s. 921, ch. 2003-261; s. 29, ch. 2004-390; s. 7, ch. 2006-184; s. 8, ch. 2012-209.

626.261 Conduct of examination.—

(1) The applicant for license or the applicant for examination shall appear in person and personally take the examination for license at the time and place specified by the department or by a person designated by the department.

(2) The examination shall be conducted by an employee of the department or a person designated by the department for that purpose.

(3) The questions propounded shall be as prepared by the department, or by a person designated by the department for that purpose, consistent with the applicable provisions of this code.

(4) All examinations shall be given and graded in a fair and impartial manner and without unfair discrimination in favor of or against any particular applicant.

(5) The department may provide licensure examinations in Spanish. When determining whether it is in the public interest to allow the examination to be translated into and administered in Spanish, the department shall consider the percentage of the population who speak Spanish.

History.—s. 205, ch. 59-205; ss. 13, 35, ch. 69-106; s. 3, ch. 76-168; s. 1, ch. 77-457; s. 3, ch. 81-282; ss. 2, 3, ch. 81-318; ss. 217, 807, 810, ch. 82-243; s. 7, ch. 85-208; ss. 25, 206, 207, ch. 90-363; s. 4, ch. 91-429; s. 922, ch. 2003-261; s. 30, ch. 2004-390; s. 8, ch. 2006-184; s. 6, ch. 2012-151; s. 12, ch. 2014-123.

626.271 Examination fee; determination, refund.—

(1) Prior to being permitted to take an examination, each applicant who is subject to examination shall pay to the department or a person designated by the department an examination fee. A separate and additional examination fee shall be payable for each separate class of license applied for, notwithstanding that all such examinations are taken on the same date and at the same place.

(2) The fee for examination shall not be subject to refund.

626.281 Reexamination.—

(1) An applicant for license or examination who has:

(a) Taken an examination and failed to make a passing grade, or

(b) Failed to appear for the examination or to take or complete the examination at the time and place specified in the notice of the department, may take additional examinations, after filing with the department or its designee an application for reexamination together with applicable fees. The failure of an applicant to pass an examination, to appear for the examination, or to take or complete the examination does not preclude the applicant from taking subsequent examinations.

(2) Applicants may not take an examination for a license type more than five times in a 12-month period.

(3) The department may require an individual whose license as an agent, customer representative, or adjuster has expired or been suspended to pass an examination before reinstating or relicensing the individual as to any class of license. The examination fee must be paid for each examination.

History.—s. 207, ch. 59-205; ss. 13, 35, ch. 69-106; s. 3, ch. 76-168; s. 1, ch. 77-457; s. 3, ch. 81-282; ss. 2, 3, ch. 81-318; ss. 171, 217, 807, 810, ch. 82-243; s. 9, ch. 88-166;

ss. 27, 206, 207, ch. 90-363; s. 4, ch. 91-429; s. 9, ch. 92-146; s. 16, ch. 98-199; s. 925, ch. 2003-261; s. 33, ch. 2004-390; s. 9, ch. 2006-184; s. 9, ch. 2012-209.
History.—s. 206, ch. 59-205; ss. 13, 35, ch. 69-106; s. 3, ch. 76-168; s. 1, ch. 77-457; s. 3, ch. 81-282; ss. 2, 3, ch. 81-318; ss. 170, 217, 807, 810, ch. 82-243; s. 8, ch. 85-208; ss. 26, 206, 207, ch. 90-363; s. 4, ch. 91-429; s. 924, ch. 2003-261; s. 32, ch. 2004-390.

626.321 Limited licenses.—

(1) The department shall issue to a qualified applicant a license as agent authorized to transact a limited class of business in any of the following categories of limited lines insurance:

(f) Crop hail and multiple-peril crop insurance.—License for insurance covering crops subject to unfavorable weather conditions, fire or lightening, flood, hail, insect infestation, disease, or other yield-reducing conditions or perils which is provided by the private insurance market, or which is subsidized by the Federal Group Insurance Corporation including multi-peril crop insurance. Notwithstanding any other provision of law, the limited license may be issued to a bona fide salaried employee of an association chartered under the Farm Credit Act of 1971, 12 U.S.C. ss. 2001 et seq., who satisfactorily completes the examination prescribed by the department pursuant to s. 626.241(5). The agent must be appointed by, and his or her limited license requested by, a licensed general lines agent. All business transacted by the agent must be on behalf of, in the name of, and countersigned by the agent by whom he or she is appointed. Sections 626.561 and 626.748, relating to records, apply to all business written pursuant to this section. The licensee may be appointed by and licensed for only one general lines agent or agency.

(3) The limitations of any license issued under this section shall be expressed therein. The licensee shall have a separate and additional appointment as to each insurer represented.

(4) Except as otherwise expressly provided, a person applying for or holding a limited license is subject to the same applicable requirements and responsibilities that apply to general lines agents in general if licensed as to motor vehicle physical damage and mechanical breakdown insurance, industrial fire insurance or burglary insurance, motor vehicle rental insurance, credit insurance, crop hail and multiple-peril crop insurance, in-transit and storage personal property insurance, or portable electronics insurance; or as apply to life agents or health agents in general, as applicable, if licensed as to travel insurance.

(5) Nothing in this section shall permit the sale of an insurance policy or certificate for any limited class of business in a category identified under subsection (1) by a person

or entity other than an insurance policy or certificate offered by an authorized insurer in this state or an eligible surplus lines insurer in this state.

History.—s. 211, ch. 59-205; ss. 13, 35, ch. 69-106; s. 3, ch. 76-168; s. 1, ch. 77-457; ss. 2, 4, ch. 79-156; s. 1, ch. 80-149; ss. 1, 7, ch. 80-387; s. 3, ch. 81-282; ss. 2, 3, ch. 81-318; ss. 175, 217, 807, 810, ch. 82-243; s. 21, ch. 82-386; s. 1, ch. 83-54; s. 1, ch. 84-88; s. 1, ch. 85-112; s. 1, ch. 86-274; s. 1, ch. 87-206; s. 1, ch. 88-197; ss. 32, 206, 207, ch. 90-363; s. 4, ch. 91-429; s. 222, ch. 97-102; s. 5, ch. 97-214; s. 9, ch. 97-292; s. 18, ch. 98-199; s. 21, ch. 99-3; s. 38, ch. 99-7; ss. 1, 11, ch. 99-204; s. 5, ch. 99-388; s. 1, ch. 2001-111; s. 2, ch. 2002-84; ss. 16, 53, ch. 2002-206; s. 80, ch. 2003-1; s. 1, ch. 2003-266; s. 32, ch. 2003-267; s. 25, ch. 2003-281; s. 8, ch. 2004-370; s. 25, ch. 2004-374; s. 153, ch. 2004-390; s. 1, ch. 2005-195; s. 13, ch. 2005-257; s. 2, ch. 2007-76; s. 41, ch. 2011-194; s. 7, ch. 2012-151; s. 14, ch. 2012-209; s. 14, ch. 2014-123.

1626.551 Notice of change of address, name.-

A licensee must notify the department, in writing, within 30 days after a change of name, residence address, principal business street address, mailing address, contact telephone numbers, including a business telephone number, or e-mail address. A licensee who has moved his or her principal place of residence and principal place of business from this state shall have his or her license and all appointments immediately terminated by the department. Failure to notify the department within the required time shall result in a fine not to exceed \$250 for the first offense and a fine of at least \$500 or suspension or revocation of the license pursuant to s. 626.611, s. 626.6115, s. 626.621, or s. 626.6215 for a subsequent offense. The department may adopt rules to administer and enforce this section.

History.—s. 234, ch. 59-205; ss. 13, 35, ch. 69-106; s. 3, ch. 76-168; s. 1, ch. 77-457; s. 3, ch. 81-282; ss. 2, 3, ch. 81-318; ss. 201, 217, 807, 810, ch. 82-243; ss. 49, 206, 207, ch. 90-363; s. 4, ch. 91-429; s. 12, ch. 92-146; s. 231, ch. 97-102; s. 18, ch. 2002-206; s. 942, ch. 2003-261; s. 44, ch. 2004-390; s. 4, ch. 2008-237; s. 18, ch. 2012-209.

¹Note.—Section 12, ch. 2008-237, provides in part that “[e]ffective [June 30, 2008,] the Department of Financial Services may adopt rules to implement this act.”