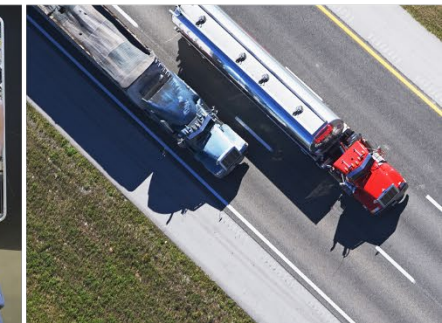


Crop Insurance 102

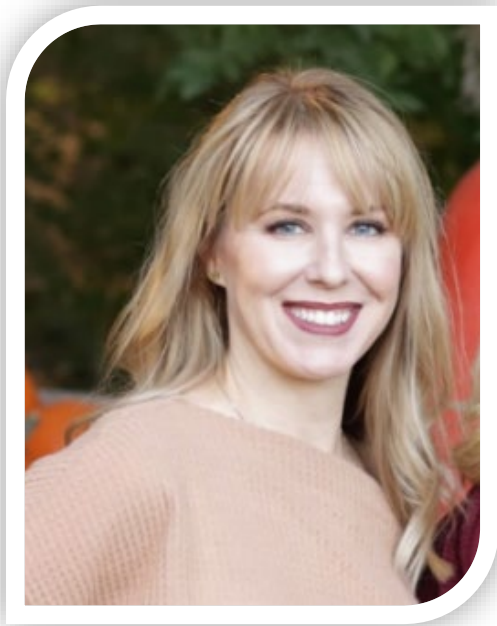
Understanding the Policy Terms, Options, and the Claims Process

December 7th, 2021





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75 Years Serving the Ag Industry
25 Years as CAWG's Endorsed Insurance Provider



Pan American, Our Legacy with CAWG

Commercial insurance brokerage specializing in Agriculture since 1946;
CAWG's endorsed insurance provider since 1995

1946



1995



2008



2018



2000



2014





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Why Crop Insurance

What's in it for the grower?

Financial security

- Protection against yield losses due to weather/wildlife
- Ability to continue operating after a disaster

Ability to secure ag financing

Additional tax write-off





What is Covered

- ✓ Adverse weather
- ✓ Earthquake
- ✓ Fire
- ✓ Volcanic eruption
- ✓ Wildlife
- ✓ Failure of irrigation water supply (due to a covered peril)
- ✓ Insects, plant disease (unless insufficient or improper application of control measures occurs)





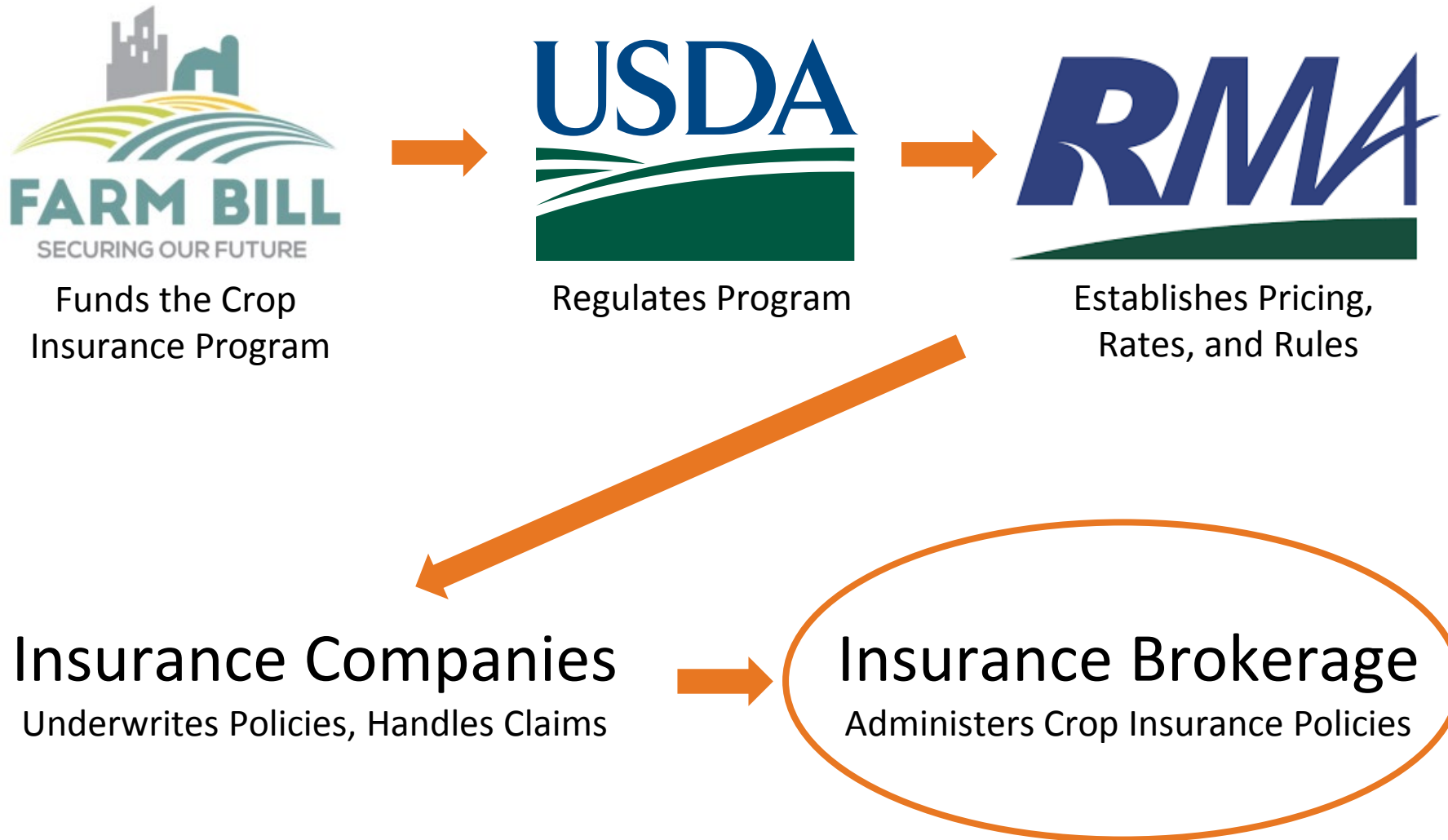
What is NOT Covered

- ∅ Adverse market conditions
- ∅ Failure to secure labor
- ∅ Improper pesticide application
- ∅ Improper farming practices (not irrigating, not utilizing proper control measures for disease and pests)





Crop Insurance Hierarchy





Crop Insurance Requirements

Do you qualify?

- ▶ Insuring person/entity must be US citizen or apply and qualify for a RAN
- ▶ All tax ID's associated with the policy must not be indebted to the Federal Crop Insurance Corporation
- ▶ Must not have been convicted of planting, cultivating, harvesting or storing a controlled substance
- ▶ Must not have duplicate coverage



Grape Federal Crop Insurance

Do your grapes qualify?

- ▶ Grapes must be in their 4th growing season after planted or 3rd growing season after grafting to be covered under the policy
 - Can insure a portion of the vineyard that is of age
- ▶ Grape block must have produced 2 tons per acre in one of the past 3 years
 - Can still insure blocks that have met this requirement
 - Insurance carriers now have the option to wave this, as long as there is at least 4 years of actual production history on file.

*Grape Cluster Freeze is a good option for younger vineyards
(not federally regulated, carrier specific rates and rules)*



Grape Federal Crop Insurance

Common Terms and Acronyms

MPCI - Multiperil Crop Insurance

- ▶ Insurance for multiple naturally occurring perils:
 - Adverse weather, earthquake, fire, wildlife, failure of irrigation water supply when due to a naturally occurring event, and insect damage/plant disease when proper control measures are used

APH - Actual Production History

- ▶ Production based policy using growers actual past production history, maxed out at 10 years
 - Insuring tonnage losses, NOT revenue losses



Grape Federal Crop Insurance

Common Terms and Acronyms

- ▶ **Approved Yield** - the yield per acre used to determine the insured tonnage. It is the average of the prior 4-10 years of yields used within the policy, including elected yield assistance options
- ▶ **Guarantee** – the tonnage a grower will receive payment for, either through the production and sale of the crop, or through the crop insurance policy should a covered peril cause damage

Approved Yield X Coverage Level = Policy Guarantee

Example: 4 Tons Per Acre X 75% Coverage = 3 Tons Per Acre Guaranteed



Grape Federal Crop Insurance

“Buy-Up” Coverage Levels

- ▶ Growers select to insure a percentage of their **approved yield**:
 - Coverage levels range between **50% and 85%** (in 5% increments)
 - The coverage choice is by entity, by county, and by variety, there is a corresponding **administrative fee of \$30**
 - The price paid for claims is **100% of the established insurance price** per ton for the district and variety OR the **contracted price per ton** (optional)
 - The approved yield is by unit/block
 - All insurable acres of a variety must be insured at the same level of coverage

Variety	County	Coverage Level	Administrative Fee
Cab Sauv (North)	Sonoma	65%	\$30
Cab Sauv (South)	Sonoma		
Cab Sauv	Napa	80%	\$30
Chardonnay	Sonoma	65%	\$30
Merlot	Sonoma	60%	\$30
Merlot	Napa	75%	\$30
Semillon	Sonoma	NONE	NONE



Grape Federal Crop Insurance

“CAT” Catastrophic Coverage

- ▶ Coverage level that is fully subsidized, growers only pay the administrative fee of **\$655 annually**
 - The coverage is by entity, by county, and by variety
 - The CAT guarantee is **50% of the approved yield**
 - The price paid for claims is **55% of the established insurance price** per ton for the district / variety
 - All insurable acres of a variety must be insured at the same level of coverage
 - Growers can select CAT for one variety or county, yet insure at the buy-up levels for other varieties or counties.

Variety	County	Coverage Level	Administrative Fee
Cab Sauv (North)	Sonoma	65%	\$30
Cab Sauv	Sonoma		
Merlot	Napa	75%	\$30
Semillon	Sonoma	CAT	\$655



Grape Federal Crop Insurance

Establishing the Approved Yield

▶ Production requirements:

- The policy requires a minimum of 4 years in the average
- Units with less than 4 years of production history are able to use a percentage of the county yield for that variety.
 - 1 year of actual production is averaged with 3 years of **80%** of the county average
 - 2 years of actual production is averaged with 2 years of **90%** of the county average
 - 3 years of actual production is averaged with 1 year of **100%** of the county average

Growers with no prior history should discuss a requested yield with their agent



Grape Federal Crop Insurance

Unit Structure

- ▶ Insurance “units” are based on:
 - Variety type
 - Vineyard location
 - Farming Practice
 - Irrigated or non-irrigated
 - Conventional, transitional, or organic





Grape Federal Crop Insurance

Unit Structure

- ▶ Basic Units (BU) “lumped together”:
 - All insured acres of the same variety type share the insurance guarantee
 - Basic units are required for contiguous vineyards and for CAT policies
 - Claims are assessed and paid by variety type
- ▶ Optional Units (OU) “separated”:
 - The insurance guarantee is specific to the vineyard location
 - Optional units are an advantageous way to attain individualized coverage by vineyard location
 - Claims are assessed and paid by variety type and location
 - Not available for CAT policies



Establishing Your Unit Structure

Basic Units vs. Optional Units

- Acreage that is located on *non-contiguous* land can be insured separately as an “Optional Unit” or OU

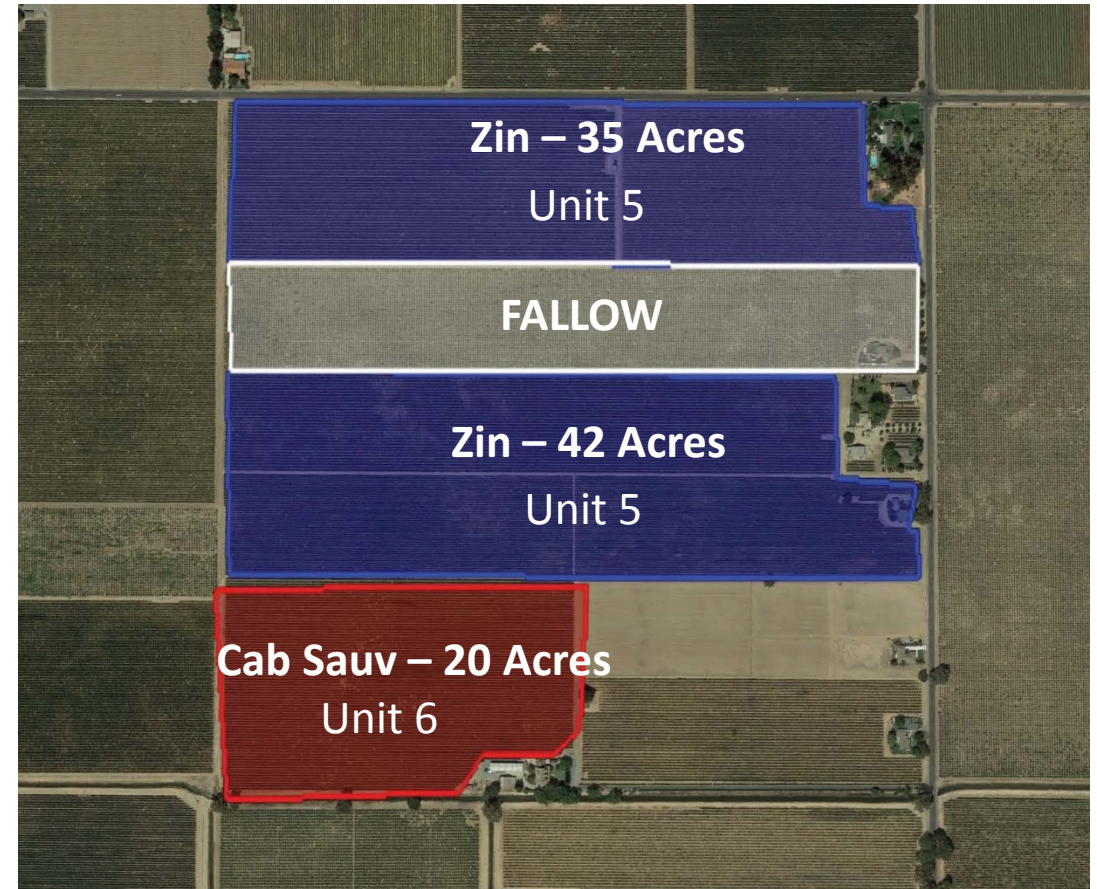
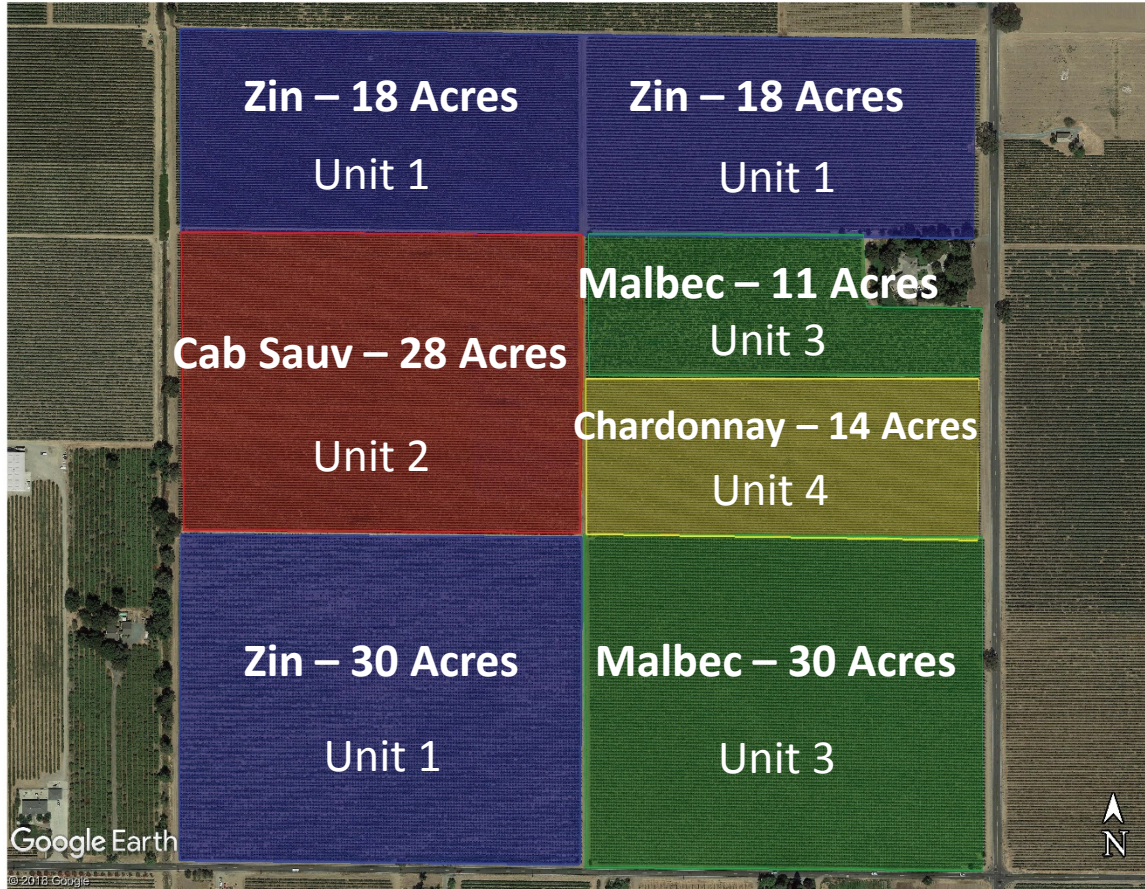




Establishing Your Unit Structure

Basic Units vs. Optional Units

- Acreage that is located on non-contiguous land can be insured separately as an “Optional Unit” or OU



Optional Unit structure does have a small surcharge, but growers only pay this for the units that are considered OU



Establishing Approved Yield

Actual Production History Database – Updated Yearly

Crop Plan	GRAPES ADU	Unit #	0001-0001	Cty	079		
Type	CABSAUV						
Practice	NPS						
Options	OUYA						
TWP-RGE	Section	Yield Limit	4-Yield With No				
026S-015E	29	FSA Farm #	FSA Tract #	Fld#			
Farm Name							
Other Ident							
Crop Year of History	Total Production	Acres	Yields & Desc.	Prod. Rec. Type	YA Yield	YE Opt Out	Prac/Type Tmap Area
2010	830.4	92.30	9.0A				T Yield
2011	616.8	92.30	6.7A				3.7
2012	684.7	136.30	5.0A				Prior Yield
2013	880.7	136.30	6.5A				6.7
2014	589.0	73.40	8.0A				Yld Floor
2015	258.8	73.70	3.5A				0.0
2016	563.3	81.90	6.9A				Rate Yld
2017	894.6	137.50	6.5A				6.5
2018	932.0	137.50	6.8A	A			Yld Ind
2019	264.9	45.30	5.8A	A			Ave. Yield
Yield Total		# of Years		10		Prelim Yld	
# of Trees/Vines	Processor #/Name	Adj. Yield	Apprv Yld				
			6.5				
Tenant/Landlord Insuring Other's Share		Name of Other Person(s) Sharing					
Multi crop year reporting reason							
Insured's Share	1.0000	Verify	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Acres of Insured Crop		Date Planting Completed					
<input type="text"/> , <input type="text"/> <input type="text"/> <input type="text"/> . <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>		<input type="text"/> / <input type="text"/> / <input type="text"/>					
PP Acres		2ND CROP					
<input type="text"/> , <input type="text"/> <input type="text"/> <input type="text"/> . <input type="text"/> <input type="text"/>		<input type="checkbox"/> 2ND CROP					
Acreage Type:		Land other County Yes <input type="checkbox"/> No <input type="checkbox"/>					
Required:		Field Review <input type="checkbox"/> Inspection <input type="checkbox"/>					
Insurability:		Other:					

Crop Plan	GRAPES ADU	Unit #	0001-0002	Cty	079		
Type	CABSAUV						
Practice	NPS						
Options	BUYA						
TWP-RGE	Section	Yield Limit	4-Yield With No				
026S-015E	32	FSA Farm #	FSA Tract #	Fld#			
Farm Name							
Other Ident							
Crop Year of History	Total Production	Acres	Yields & Desc.	Prod. Rec. Type	YA Yield	YE Opt Out	Prac/Type Tmap Area
2010	1,466.4	146.20	10.0A				T Yield
2011	1,239.0	146.20	8.5A				4.7
2012	1,307.7	146.20	8.9A				Prior Yield
2013	1,541.2	146.20	10.5A				8.8
2014	733.8	136.90	5.4A				Yld Floor
2015	201SL 843.3	136.90	6.2A				0.0
2016	1,423.5	128.00	11.1A				Rate Yld
2017	1,380.7	165.50	8.3A				8.4
2018	1,424.6	165.50	8.6A	A			Yld Ind
2019	287.0	45.90	6.3A	A			Ave. Yield
Yield Total		# of Years		10		Prelim Yld	
# of Trees/Vines	Processor #/Name	Adj. Yield	Apprv Yld				
			8.4				
Tenant/Landlord Insuring Other's Share		Name of Other Person(s) Sharing					
Multi crop year reporting reason							
Insured's Share	1.0000	Verify	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Acres of Insured Crop		Date Planting Completed					
<input type="text"/> , <input type="text"/> <input type="text"/> <input type="text"/> . <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>		<input type="text"/> / <input type="text"/> / <input type="text"/>					
PP Acres		2ND CROP					
<input type="text"/> , <input type="text"/> <input type="text"/> <input type="text"/> . <input type="text"/> <input type="text"/>		<input type="checkbox"/> 2ND CROP					
Acreage Type:		Land other County Yes <input type="checkbox"/> No <input type="checkbox"/>					
Required:		Field Review <input type="checkbox"/> Inspection <input type="checkbox"/>					
Insurability:		Other:					



Establishing Approved Yield

Actual Production History Database – Updated Yearly

Production history for all acres in the unit

Crop Plan	GRAPES APH	Unit #	0001-0001	Cty	079		
Type	CABSAUV						
Practice	NPS						
Options	OUYA						
TWP-RGE	Section	Yield Limit	4-Yield With No				
026S-015E	29	FSA Farm #	FSA Tract #	Fld#			
Farm Name							
Other Ident							
Crop Year of History	Total Production	Acres	Yields & Desc.	Prod. Rec. Type	YA Yield	YE Opt Out	Prac/Type Tmap Area
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2019	264.9	45.30	5.8A	A			Ave. Yield
Yield Total		# of Years	10	Prelim Yld			
# of Trees/Vines	Processor #/Name	Adj. Yield	Apprv Yld				
			6.5				
Tenant/Landlord Insuring Other's Share		Name of Other Person(s) Sharing					
Multi crop year reporting reason							
Insured's Share	1.0000	<input type="radio"/> Verify <input type="checkbox"/>					
Acres of Insured Crop	Date Planting Completed						
<input type="checkbox"/> , <input type="checkbox"/> 4 5 . 3 0	<input type="checkbox"/> / <input type="checkbox"/> / <input type="checkbox"/>						
PP Acres	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> . <input type="checkbox"/>						
	<input type="radio"/> 2ND CROP						
Acres Type:	Land other County Yes <input type="checkbox"/> No <input type="checkbox"/>						
Required:	<input type="radio"/> Field Review <input type="radio"/> Inspection						
Insurability:	Other:						

Crop Plan	GRAPES APH	Unit #	0001-0002	Cty	079		
Type	CABSAUV						
Practice	NPS						
Options	BUYA						
TWP-RGE	Section	Yield Limit	4-Yield With No				
026S-015E	32	FSA Farm #	FSA Tract #	Fld#			
Farm Name							
Other Ident							
Crop Year of History	Total Production	Acres	Yields & Desc.	Prod. Rec. Type	YA Yield	YE Opt Out	Prac/Type Tmap Area
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2013	1,541.2	146.20	10.5A				8.8
2014	733.8	136.90	5.4A				Yld Floor
2015	843.3	136.90	6.2A				0.0
2016	1,423.5	128.00	11.1A				Rate Yld
2017	1,380.7	165.50	8.3A				8.4
2018	1,424.6	165.50	8.6A	A			Yld Ind
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Yield Total		# of Years	10	Prelim Yld			
# of Trees/Vines	Processor #/Name	Adj. Yield	Apprv Yld				
			8.4				
Tenant/Landlord Insuring Other's Share		Name of Other Person(s) Sharing					
Multi crop year reporting reason							
Insured's Share	1.0000	<input type="radio"/> Verify <input type="checkbox"/>					
Acres of Insured Crop	Date Planting Completed						
<input type="checkbox"/> , <input type="checkbox"/> 4 5 . 9 0	<input type="checkbox"/> / <input type="checkbox"/> / <input type="checkbox"/>						
PP Acres	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> . <input type="checkbox"/>						
	<input type="radio"/> 2ND CROP						
Acres Type:	Land other County Yes <input type="checkbox"/> No <input type="checkbox"/>						
Required:	<input type="radio"/> Field Review <input type="radio"/> Inspection						
Insurability:	Other:						



Establishing Approved Yield

Actual Production History Database – Updated Yearly

Other Ident								
Crop Year of History	Total Production	Acres	Yields & Desc.	Prod. Rec. Type	YA Yield	YE Opt Out	Prac/Type Tmap Area	
2010	1,466.4	146.20	10.0A				T Yield	
2011	1,239.0	146.20	8.5A				4.7	
2012L	292.4	146.2	2.0A		2.82		Prior Yield	
2013	1,541.2	146.20	10.5A				7.6	
2014	733.8	136.90	5.4A				Yld Floor	
2015L	355.9	136.9	2.6A		2.82		0.0	
2016	1,423.5	128.00	11.1A				Rate Yld	
2017	1,380.7	165.50	8.3A				7.3	
2018	1,424.6	165.50	8.6A	A			Yld Ind	
2019	287.0	45.90	6.3A	A				
Yield Total			# of Years	10	Prelim Yld			
# of Trees/Vines		Processor #/Name		Adj. Yield		Apprv Yld		
						7.4		

Years with a loss are often highlighted on the renewal





Establishing Approved Yield

Actual Production History Database – Updated Yearly

Other Ident							
Crop Year of History	Total Production	Acres	Yields & Desc.	Prod. Rec. Type	YA Yield	YE Opt Out	Prac/Type Tmap Area
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2018	1,424.6	165.50	8.6A	A			Yld Ind
2019	287.0	45.90	6.3A	A			Ave. Yield
			Yield Total		# of Years	10	Prelim Yld
# of Trees/Vines		Processor #/Name		Adj. Yield		Apprv Yld	
						7.4	

The simple average from the production history will be represented on the form



Establishing Approved Yield

Actual Production History Database – Updated Yearly

Other Ident							Prac/Type Tmap Area
Crop Year of History	Total Production	Acres	Yields & Desc.	Prod. Rec. Type	YA Yield	YE Opt Out	
2010	1,466.4	146.20	10.0A				T Yield
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2018	1,424.6	165.50	8.6A	A			Yld Ind
2019	287.0	45.90	6.3A	A			
Yield Total			# of Years	10	Prelim Yld		
# of Trees/Vines		Processor #/Name		Adj. Yield		Apprv Yld	
						7.4	

The T-Yield represents the average production for that variety type, in that county

In years where the production is under 60% of the T-Yield, the actual production history for that year is replaced with 60% of the T-Yield

The approved yield incorporates any yield assistance into the average

The approved yield is used to establish the unit guarantee



Establishing the Premium

Crop Insurance Premiums

- ▶ Premiums assessed by:
 - Variety type,
 - Approved yield, with options included,
 - Crush district, and;
 - Established price per ton



Establishing the Premium

Crop Insurance Premiums

▶ Established price per ton is:

- The insurance price per ton, by variety and crush district, set by USDA-RMA, OR;
- The contract price per ton, set by all winery contracts (optional)
 - Contracts must be on file with your carrier by May 15th
 - NEW for 2022
 - Can use blended per acre or per ton contracts, you do not need all acres/tons to be under contract.
 - Contract price options maximum value is **2.5 times** the established price.
 - Not available for CAT policies



Establishing the Premium

Crop Insurance Premiums

All coverage options have a premium “subsidy” applied

Coverage Level	CAT	50%	55%	60%	65%	70%	75%	80%	85%
Premium Subsidy	100%	67%	64%	64%	59%	59%	55%	48%	38%
Growers Portion	0%	33%	36%	36%	41%	41%	45%	52%	62%



Policy Example

Chardonnay, Sonoma Co.

- ▶ 80 Acres
- ▶ 10 year average yield is 5 TPA
- ▶ Price per ton:
 - \$2,100 per ton – established insurance price set by USDA
 - \$2,500 per ton – growers contracted price, required by May 15th
- ▶ 75% “buy-up” coverage selected
 - $5 \text{ TPA} \times 75\% = 3.75 \text{ TPA}$ guaranteed
 - $3.75 \times 80 \text{ acres} = 300 \text{ total tons}$ guaranteed
- ▶ Premium
 - Base premium: \$28,968
 - Growers premium after subsidy: \$13,036 **Billed and due in September**



Standard Yield Loss Claim Example

Unexpected Weather Event Occurs

- ▶ Grower calls agent to submit claim within 72 hours of damage.
- ▶ Adjuster and grower connect to do inspection prior to harvest.
- ▶ Grower harvests crop, **200 total tons delivered to market.**

300 tons guaranteed
- 200 tons produced
100 ton deficiency
X \$2,500 price per ton
\$250,000 claim payment



Quality Loss Claim Example

Smoke Exposure on Grapes Occurs

- ▶ Grower calls agent to submit claim within 72 hours of damage
- ▶ Adjuster and grower connect to do inspection prior to harvest
- ▶ Grower has pre-harvested samples tested, results show elevated levels of 4MG and/or G
 - Results from testing do not need to come back prior to harvest
- ▶ Grower begins to harvest crop:
 - 80 tons delivered to winery and accepted at a reduced value of \$800 per ton
 - 350 tons left in vineyard and appraised on the vine



Quality Loss Claim Example

Quality Adjustment Factor

- ▶ When quality is impacted, a grower has actually produced a crop, so they have tonnage, but there is a monetary loss due to a covered peril
 - The claims adjustment process for APH policies must always transition from a monetary loss into a production loss
- ▶ Quality Adjustment Factor is applied in these cases



Quality Loss Claim Example

Quality Adjustment Factor

- ▶ Claims adjuster determines value of damaged grapes (sold and unsold)
 - \$800
- ▶ Claims adjuster determines the value of undamaged grapes using the lessor of:
 - Average market price of \$2,400;
 - Established insurance price of \$2,170; Contract price of \$2,500
- ▶ $\$800 / \$2,170 = 36.866\%$ Quality Adjustment Factor
 - If greater than 75% QAF, no adjustment applies



Quality Loss Claim Example

Quality Adjustment Calculation

- ▶ 36.866% QAF applied to tonnage:

$$\begin{array}{r} 80 \text{ tons harvested} \\ + \text{ 350 tons appraised} \\ \hline 430 \text{ tons} \\ \times \text{ 36.866\% QAF} \\ \hline 158.5 \text{ tons} \end{array}$$

*If grapes were rejected outright due to smoke damage, there would be no QAF, and **0 tons** are counted towards the policy production*

- ▶ 158.5 tons used as production to count towards policy and claim



Quality Loss Claim Example

Qualifying for a Claim Payment

- ▶ Grower must be under their insurance guarantee for payable claim
- ▶ Unharvested cost deduction will apply to any acres that were unharvested/appraised
 - Based on crush district, ranges from \$40 per ton to \$200 per ton
 - Applies only to the tonnage associated with the unharvested acreage after the QAF is applied



Quality Loss Claim Example

Qualifying for a Claim Payment

Harvested grapes after QAF and acreage guarantee are applied:

$$30.5 \text{ tons} \times \$2,500 \text{ contract price} = \$76,250$$

Unharvested grapes after QAF and acreage guarantee are applied:

$$(\$2,500 \text{ contract price} - \$200 \text{ UH cost deduction} = \$2,300)$$

$$129 \text{ tons} \times \$2,300 = \$296,700$$

Total Claim Payment = \$372,950

If there was a complete rejection and no good production, the calculation would be:

Unharvested: 300 tons guaranteed – 0 tons produced = 300 tons deficient
300 tons X \$2,300 = **\$690,000**

Harvested: 300 tons X \$2,500 = **\$750,000** (full policy guarantee)



When to File a Claim

The policy states that a claim should be opened **within 72 hours** of potential damage occurring/being discovered

- Multiple claims can be filed through the year

It is the growers responsibility to contact their agent or the carrier to report potential claims

- Growers should call or email their agent as soon as possible

Growers have no later than **60 days after harvest** to file a claim

- Post-harvest claims often require additional documentation and paperwork

***THERE ARE NO PENALTIES FOR OPENING A CLAIM, REGARDLESS OF THE OUTCOME
LET YOUR AGENT KNOW AS SOON AS POSSIBLE!***



Smoke Claim Requirements

Fire/Smoke Specific Claims Requirements

- ▶ Each variety/unit must be tested independently
 - Testing for guaiacol and 4-methylguaiacol
 - Can be a micro ferment test or a fresh berry test
- ▶ Samples must be taken in the field - **after harvest, it's too late!**
- ▶ Testing must be conducted by an independent lab, accredited lab, or other credible source (winery lab)
 - NEW – As of 2020 the crop insurance guidelines on lab requirements has been broadened, per the USDA Risk Management Agency:
 - *“testing must be performed by an independent lab, accredited lab, or other credible source (e.g., winery lab with the resources to perform such a test). Documentation must indicate the location of the field, the results of the test (may be attached), the lab name, and any accreditations that would indicate the lab/chemist was qualified to perform the appropriate test, such as by the Alcohol and Tobacco Tax and Trade Bureau”*

For ALL claims, work closely with your assigned claims adjuster!



Grape Federal Crop Insurance

Important Grape Deadlines

January 31st Deadline to apply for, or adjust coverage

March 15th Deadline to provide prior years production

May 15th Deadline to update insured acres and provide contracts (optional)

September 30th Policy premium is due

Insurance ends for the crop on the earlier of:

- **November 10th**
- Harvest, destruction, or abandonment of the crop



Questions?