USDA United States Department of Agriculture

RMA

*A Risk Management Agency Fact Sheet*

# Pecan Tree Insurance

March 2017

## Crop Insured

Pecan trees are insurable in Alabama, Arkansas, Florida, Georgia, Kansas, Louisiana, Mississippi, Missouri, New Mexico, Oklahoma, South Carolina, and Texas. For pecan trees to be insured, at a minimum they must be adapted to the area, grown in a commercial orchard for the purpose of producing pecans intended to be sold for human consumption, and have the potential to produce a yield typical of a healthy tree. A minimum number of acres that can be insured will be specified in the Special Provisions of your insurance policy. Please contact an insurance agent or your RMA regional office for more information.

## Causes of Loss

- Wind (tornado, hurricane);
- Freeze damage;
- Freezing rain (ice damage);
- Drought resulting in dying or death of trees if allowed by the Special Provisions;
- Flood;
- Fire; and
- Failure of the irrigation water supply if due to another insurable cause of loss or salt in water supply.

## Insurance Period

You must apply for coverage with a crop insurance agent on or before May 15. Coverage begins on July 1 of each crop year and continues through June 30 of the following calendar year. The year you apply, your approved insurance provider will inspect your pecan trees and will notify you if any or all of your pecan trees are uninsurable no later than July 1 following the sales closing date. Following the initial year of application, coverage will automatically renew for the subsequent crop year unless you cancel coverage by the June 30, cancellation date.

## Important Dates

Sales Closing……………………………May 15
Acreage Report Due……………………….May 15

## Insurance Guarantees, Coverage Levels and Premium Subsidies

There are two different restoration methods (RM) that can be selected. These will be used to establish your amount of insurance. RM1 provides coverage for producers who intend to remove the entire destroyed tree and RM2 provides coverage for producers who intend to cut down the fully damaged or destroyed tree and leave the stump. You must select either RM1 or RM2 on your acreage report and the restoration method you select will apply to all the pecan trees insured in the county.

Trees are also grouped into stages by trunk diameter for establishing an insurable price within each RM. There are five different stages a tree can fall under based on its trunk diameter. If at least 75 percent of the trees in a block fall within the same stage, the entire block may be considered the same stage. If the trees are pruned or dehorned, the stages may be reduced in accordance with the Crop Provisions.

The guarantee is based on the tree reference price for the RM you select, multiplied by the number of trees in each stage. These results are totaled for each stage and multiplied by the coverage level.

You will select one coverage level, ranging from 50-75 percent for all your pecan trees in the county. Higher coverage levels are subsidized at lower rates and the premium subsidy is at least 55 percent of the premium. Premium and administrative fees are due annually. For more information about coverage levels and premiums, please contact a crop insurance agent.

## Unit Division

**Enterprise Units -** Generally, all insured crop acreage in a county. Premium discounts apply. You must have at least two parcels of non-contiguous land and at least two of the parcels must contain the lesser of 20 acres or 20 percent of the insured crop acreage.
**Basic Units -** Include all of your insurable pecan acreage in the county by share arrangement. Premiums discounts apply.
**Optional Units -** May be elected if a basic unit consists of two or more parcels of non-contiguous land. Premium discounts do not apply.

## Settlement of Claims

Indemnities under the base policy are payable on a unit when the damage value for trees damaged due to an insurable cause of loss exceeds the unit deductible. The damage value is determined by multiplying the percent of damage by the number of damaged trees for the stage, and by the applicable tree reference price. These results are summed for each stage of the trees within the unit.

## Optional Coverage

There are two forms of optional coverage that are available to purchase in conjunction with your pecan tree policy. Both require you to elect a coverage level above the CAT level (50 percent coverage level at 55 percent of the price election) and both are available in exchange for an additional premium.

If you elect the Occurrence Loss Option (OLO), your guarantee will be calculated the same as it would otherwise be calculated under the base policy. However, the OLO allows indemnities to be paid on smaller losses if a minimum dollar value of loss is exceeded.

If you elect the Comprehensive Tree Value Endorsement (CTVE), an additional amount of insurance will be calculated to provide coverage against a future production shortfall, resulting when trees are fully damaged or destroyed. The CTVE guarantee is calculated using a value published in the actuarial documents or you may elect to use your own actual sales records. The CTVE is only available for trees greater than six inches in diameter. Upon approval of a claim you will be paid 50 percent of the indemnity due under the CTVE and the remainder of your indemnity will be paid upon verification that you have replanted trees.

## Loss Example

Assume you have chosen a 75 percent coverage level and elected RM1. You have not elected the OLO or CTVE. You have 100 percent share in 3,000 stage 5 pecan trees in the unit. The RM1 tree reference price for stage 5 pecan trees is $359. The unit deductible is $269,250 (3,000 stage 5 trees x $359 per tree x .25). Due to an insured cause of loss 1,000 trees are destroyed and you have not underreported your inventory. The damage value is $359,000 (1,000 trees x 100% damage x $359 per tree). The indemnity for the unit is calculated as follows:

## Loss Example (continued)

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|---|---|
| $359,000 | Damage Value |
| - $269,250 | Unit Deductible |
| **$89,750** | **Indemnity** |

## Where to Buy Crop Insurance


Georgia Farmers Agency, LLC

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