

Crop-Hail Fact Sheet



1. Crop Insurance Webinars

The objective of these webinar sessions is to help Pennsylvania farmers and ranchers manage risk by understanding crop insurance products sufficiently to make informed purchase decisions.

All presentations will be recorded and available after the Webinar at

<https://cropinsuranceinamerica.org/pennsylvania-crop-insurance-webinars/>

2. Crop-Hail Webinar January 15, 2019

The crop-hail webinar will provide basic information about privately-developed (non-Federal) crop-hail insurance in Pennsylvania. The webinar will discuss policy details, including:

- Types of crop-hail coverage, when insurance begins, crops and perils covered
- When you can purchase a policy and coverage choices
- Liability and premium calculations
- What to do if a loss occurs

3. Crop-Hail Overview

Crop-hail policies are not part of the Federal crop insurance program. Private crop insurance companies use National Crop Insurance Services (NCIS) historical data analysis and

policy documents to develop and offer crop-hail and related peril coverages directly to farmers.

Crop-hail insurance provides state-regulated supplemental acre-by-acre protection up to the actual cash value of a commodity when direct physical damage is due to hail or other named perils.

The farmer selects the number of acres to insure, the deductible, the amount of insurance per acre, and any optional coverage endorsements the company offers.

4. Crop-Hail Commodities in Pennsylvania

In 2017, Pennsylvania's top crops with crop-hail insurance were corn grain, tobacco, and soybeans.

Private crop insurance companies offer hail insurance on several additional commodities, including:

- Milo, sunflowers, wheat, oats, rye
- Pumpkins, squash, melons
- Apples, peaches, pears, grapes, berries, other fruits
- Dry and green beans or peas
- Tomatoes, peppers, and other vine and truck crops
- Hay and forage

5. Perils Protected Against

Special provisions of insurance provide the perils protected against, which include:

- Hail
- Fire and lightning (except tobacco)
- Transit coverage (except tobacco)
- Fire Department service charge
- Wind with hail (tobacco only)

A company may offer optional coverage for perils, such as:

- Tobacco fire
- Corn green snap and wind/lodging
- Additional replanting coverage
- Wheat wind and tornado
- Vandalism and malicious mischief

Some perils and causes of damage are excluded from crop-hail and related coverage, such as:

- Uninsured perils, such as animals trampling a crop
- Consequential or indirect damage, such as plant disease, poor seed germination, insect infestation, loss of market opportunity, or delayed maturity and failure to harvest
- Neglect/failure to care for the crop or malicious damage
- Nuclear reaction, radiation, radioactive or pollutant contamination

6. Insurance Period

Crop-hail insurance covers the crops at the specific locations listed on the application. Coverage starts when the crop is “clearly visible” above ground and ends when the crop is harvested, with specific start and end requirements set in the general and special provision documents.

The insurance period differs by company.

- The standard start date and time in Pennsylvania is 12:01 a.m. the second day following the date the applicant and agent sign the application. Some companies allow insurance to begin two hours after the application signature.
- Some crops require an additional waiting period.
- The standard end date and time in Pennsylvania is 12:01 a.m. November 15 or the date the crop is harvested, whichever is earlier.

Work with your agent to understand insurance effective and end dates.

7. Your Policy Documents

The documents that make up your crop-hail policy depend on the coverage and options you select. In general:

- Policy Jacket
- General and Special Provisions
- Pennsylvania Amendatory Endorsement
- Other mandatory endorsements based on the crop insured
- Optional endorsements
- Application and Schedule of Insurance

8. Endorsements and Bundled Coverage

Endorsements vary by crop and company.

Mandatory endorsements in Pennsylvania are crop-specific, including one for tomato, truck and vine crops and one for tree fruit, grape, bush fruit, and berries.

Some endorsements may be mandatory or optional depending on your company. Examples include harvested stored grain and coverage binder endorsements.

Optional endorsements may include bundled or combo coverages; corn wind, green snap, or extra harvest expense or a combination of these; wheat wind and tornado; additional fire coverage; canning reject; early planting; and additional replant and prevented planting coverages (also linked to a Federal crop insurance policy).

9. Application Choices and Requirements

When you apply for crop-hail insurance, you will make several choices, including:

- The crops and number of acres to insure
- Type of coverage (deductible and payout schedule if a loss occurs)
- Amount of coverage per acre (Insurance per Acre)
- Adding optional endorsement coverage

You will also complete underwriting questions.

Work with your agent to understand the deductibles, amounts of insurance per acre for your crops, and endorsements available to you, and the total coverage and premium cost.

10. Coverage Amount and Premium

Basic Coverage Amount Calculation

- Insured Acres x Insurance per Acre = Liability (Limit of Insurance)

Basic Premium Calculation

- Liability x (listed Premium Rate / 100) = Gross Premium
- Gross Premium – Applicable Discounts = Total Premium Due

Possible Premium Discounts and Minimum Premium

Some companies offer a lower rate when you purchase a 'bundle' of coverages.

Most companies also offer a cash discount for paying premium by a set deadline. The discount may be 3% or 5% off your calculated premium bill.

Companies may have a minimum premium amount requirement, meaning that if your calculated premium is lower than their stated minimum, you will be billed for the minimum. For example, a company may have a \$25 per crop or \$75 per policy minimum premium.

Increasing Coverage

When you add coverage, it is generally effective at 12:01 a.m. the second day following the date the company accepts your revised application.

The effective date and time vary by company. Unless your company agrees in writing to allow, no increase is allowed if damage by an insured peril has already occurred.

Decreasing Coverage

When you decrease coverage or cancel a portion or all of your coverage, that decrease or cancellation is effective at 12:01 a.m. **on the date you make your request.**

11. When Bad Weather Strikes: Losses

Losses are worked using National Crop Insurance Services (NCIS) Crop Loss Adjustment Procedures, or similar procedures set by the company when no NCIS procedures exist for your insured crop.

Reporting Claims

Report suspected damage as soon as possible after it occurs. Generally, you must report in writing – for each storm – 10 days or less after the date of the event.

Keep caring for the damaged acreage and allow your company crop-hail loss adjuster to examine the damaged acreage as often as needed to complete the claim.

If the adjuster requests, provide harvesting and marketing records for the damaged crop. Provide the adjuster any claims documents from any other insurance adjustment for the current damage event on the damaged acreage.

Your Adjuster's Actions

Your adjuster will work the loss and ensure timely payment to you after you and the company reach an agreement.

The adjuster will:

- Set up an appointment to visit your farm location(s) to inspect the damaged acreage
- Determine the causes of loss (may be more than one (e.g., hail and wind) and how many acres are damaged by each
- Determine the percentage of damage (e.g., 20 acres with 16% damage from hail) – will defer the loss adjustment if can't determine the percent of loss; will revisit and reinspect after the deferral period
- Take actual plant counts from representative parts of the field to determine the amount of damage
- Consider different factors based on the crop and the stage of growth
- Photograph the damage, often with a ruler or other measurable object in the picture for scale
- Complete all needed paperwork
- Explain what he or she did and the findings and walk you through the adjustment worksheet

Additionally:

- The adjuster may request documentation from you
- You and your adjuster may defer the adjustment if the damage occurred early in the season and your adjuster wants to allow the plants to progress to better determine the loss percent
- You and the adjuster will sign documents in agreement of the loss adjustment findings

Minimum Loss

In Pennsylvania, losses are not covered until the loss percent per acre is 5% or greater for the crop.

Basic Calculation

Liability per acre in effect on date of loss x Payable Loss Percent = Per-acre Payment

Per-acre Payment x Damaged Acres = Total Payment

(Adjuster-determined loss percent is reduced by policy loss occurrence deductible)

Crop Value and Remaining Liability Limit on Loss

A loss payment cannot exceed the actual cash value of the portion of the crop destroyed by an insured peril on the date the damage occurred.

A loss payment cannot exceed the amount of liability in effect when the damage occurred. For example, if a company paid 20% of your available liability on a first loss, then only 80% of the original liability remains for a subsequent loss.

Additional Loss Provisions

Crop-hail policies include several additional loss-related provisions. These include recovery of losses from a third-party (subrogation), appraisal processes when you and your company are unable to come to an agreement on the

percent of damage, replanting procedures, and payments, and legal action.

Review all policy provisions with your agent before damage occurs to ensure you understand what you need to do and what actions to expect from your company.

12. Get Covered: Find an Agent

A crop insurance agent is your local expert and best resource on how, when, and what kind of private crop coverage to add to your risk management toolkit. Crop-hail insurance is available through independent crop insurance agents licensed in your state. Most Federal crop insurance agents also offer private crop-hail and other named peril policies.

If you need an agent, two resources for crop-hail insurance are the Risk Management Agency's Agent Locator (<https://bit.ly/2sohz1f>) (most agents offering Federal crop insurance offer private coverages) and the Pennsylvania Insurance Department's "Find an Insurance Professional" tool (<https://bit.ly/2QloKLL>).