



Texas Agricultural  
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The Texas A&M  
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# Crop Insurance Terms

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The crop insurance industry is providing more and more risk management tools to help producers deal with the increasing risk they face. As the number of alternative tools increases, so does their complexity. This publication defines many of the common terms you will need to be familiar with when making your crop insurance decision.

## Crop Insurance Documents

**Actuarial documents.** The material for a specific crop year, which is available in your insurance agent's office, and which shows the amount of insurance or production guarantees, coverage levels, premium rates, practices, insurable acreage, and other related information regarding crop insurance in the county.

**Catastrophic Risk Protection Endorsement.** The part of the crop insurance policy that contains provisions specific to catastrophic risk protection.

**Crop Provisions.** The part of the policy that contains the specific provisions of insurance for each insured crop.

**Insured crop.** The crop for which coverage is available under the Basic Provisions and the applicable Crop Provisions as shown on your application for insurance.

**Policy.** The agreement between you and the insurer, consisting of the accepted application, the Basic Provisions, the Crop Provisions, the Special Provisions, other applicable endorsements or options, the actuarial documents for the insured crop, the Catastrophic Risk Protection Endorsement (if applicable), and the applicable regulations published in the federal register.

**Special Provisions.** The part of the policy that contains specific provisions of insurance for each insured crop that may vary by geographic area.

**Summary of coverage.** The insurance company's statement to you, based upon your acreage report. It specifies the insured crop and the guarantee or amount of insurance coverage provided by unit.

**Written agreement.** A document that alters designated terms of a policy as authorized under the Basic Provisions, the Crop Provisions, or the Special Provisions for the insured crop.

## Coverage Levels and Price Elections

**Additional coverage.** Crop insurance coverage equal to or greater than 65 percent of the approved yield indemnified at 100 percent of the expected market price, or a comparable coverage as established by the Federal Crop Insurance Corporation (FCIC).

**Administrative fee.** An amount you must pay for catastrophic risk protection, limited, and additional coverage for each crop year as specified in the federal register and the Catastrophic Risk Protection Endorsement.

Risk Management Education



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**Coverage.** The insurance provided by a policy against loss of production or value, by unit, as shown on your summary of coverage.

**Catastrophic risk protection.** The minimum level of coverage offered by FCIC that is required to qualify for certain other USDA program benefits unless you waive eligibility for emergency crop loss assistance in connection with the crop.

**Deductible.** The amount of loss incurred before insurance coverage begins, determined by subtracting the coverage level percentage you choose from 100 percent. For example, if you elected a 65 percent coverage level, your deductible would be 35 percent ( $100\% - 65\% = 35\%$ ).

**Economic significance.** The value of a crop, or of a type or variety of a crop (if the applicable crop policy allows you the option to separately insure individual crop types or varieties), equal to 10 percent or more of the total value of your share of all crops grown in the county the previous crop year, or that you expect to grow in the current crop year. However, an amount is not considered economically significant if the expected liability under the Catastrophic Risk Protection Endorsement is equal to or less than the administrative fee required for the crop or the crop type or variety.

**Limited coverage.** Coverage that is 50 percent or more, but less than 65 percent, of the approved yield indemnified at 100 percent of the expected market price (or a comparable coverage as established by FCIC).

**Price election.** The prices contained in the Special Provisions or an addendum. They are used to compute the value per pound, bushel, ton, carton, or other unit of measure so that premium and indemnity can be determined.

**Production guarantee (per acre).** The number of pounds, bushels, tons, cartons, or other unit of measure determined by multiplying the approved yield per acre by the coverage level percentage you elect.

## Farming Terms Used in Crop Insurance

**Abandon.** Failure to care for the crop, providing too little care to benefit the crop, or failure to harvest in a timely manner, unless an insured cause of loss prevents you from properly caring for or harvesting the crop or causes damage to it to the extent that most producers of the crop on similar acreage in the area would not normally further care for or harvest it.

**Agricultural commodity.** All insurable crops produced for human or animal consumption.

**Crop year.** The period within which the insured crop is normally grown and designated by the calendar year the insured crop is normally harvested.

**Damage.** Injury, deterioration, or loss of production of the insured crop.

**Good farming practices.** The cultural practices generally in use in the county for the crop. Practices required for the crop to produce at least the yield used to determine the production guarantee or amount of insurance. These practices are recognized by the Cooperative State Research, Education, and Extension Service as compatible with agronomic and weather conditions in the county.

**Interplanted.** Acreage on which two or more crops are planted in a manner that does not permit separate agronomic maintenance or harvest of the insured crop.

**Irrigated practice.** Watering a crop to produce at least the yield used to establish: 1) the irrigated production guarantee; 2) the amount of insurance on the irrigated production guarantee; or 3) the amount of insurance on the irrigated acreage planted to the insured crop.

**Late planted.** Acreage initially planted to the insured crop after the final planting date.

**Negligence.** The failure to use such care as a reasonably prudent and careful person would use under similar circumstances.

**Planted acreage.** Land in which the insured crop has been properly planted.

**Practical to replant.** The insurance company's determination, after loss or damage to the insured crop, that replanting the crop will allow it to be harvested before the end of the insurance period. It will not be considered practical to replant after the end of the late planting period or the final planting date unless replanting is generally occurring in the area. Unavailability of seed or plants is not considered a valid reason for failure to replant.

**Prevented planting.** Failure to plant the insured crop by the final planting date designated in the Special Provisions for the insured crop in the county. You may also be eligible for a prevented planting payment if you were unable to plant because of an insured cause of loss that is general in the surrounding area.

**Replanting.** Replacing the seed or plants of the same crop in the insured acreage with the expectation of producing at least the yield used to determine the production guarantee.

**Representative sample.** Portion of the insured crop that must remain in the field for examination by the insurance company's loss adjuster when making a crop appraisal. In certain instances you may harvest the crop and leave only samples of the crop residue in the field.

**Timely planted.** Planted on or before the final planting date designated in the Special Provisions for the insured crop in the county.

## Reports

**Acreage report.** A report stating your share of all acreage of an insured crop in the county, whether insurable or not insurable.

**Another use, notice of.** The written notice required when you wish to plant acreage to another crop.

**Application.** The form you must complete and that the insurance company must accept before coverage will begin. If your insurance coverage is canceled or terminated for any reason, you must reapply.

**Claim for indemnity.** A claim you make for damage or loss to an insured crop.

**Consent.** Approval in writing by the insurance company for the insured to take a specific action.

**Damage, notice of.** A written notice you must file with the insurance company as soon as you discover that the insured crop has been damaged to the extent that a loss is probable.

**Loss, notice of.** The notice you must give the insurance company not later than 72 hours after certain losses or 15 days after the end of the insurance period, whichever is earlier.

**Production report.** A written record showing your annual production. The insurance company uses it to determine your yield for insurance purposes. The report contains yield information for previous years, including planted acreage and harvested production. This report must be supported by written, verifiable records from a warehouseman or buyer of the insured crop, by measurement of farm-stored production, or by other records of production approved by the insurance company.

## Units

**Basic unit.** All acreage of the insured crop in the county on the date coverage begins for the crop year:

- 1) In which the insured has 100 percent crop share; or

- 2) Which is owned by one person and operated by another person on a share basis. (Example: If, in addition to the land you own, you rent land from five landlords, three on a crop share basis and two on a cash basis, you would be entitled to four units—one for each crop share lease and one that combines the two cash leases and the land you own.) Land which would otherwise be one unit may, in certain instances, be divided.

**Optional unit.** For an additional premium, growers may subdivide their basic units by practice, section or section equivalents.

**County.** Any county, parish or other political subdivision of a state shown on the insured's accepted application, including acreage in a field that extends into an adjoining county if the county boundary is not readily discernible.

**Enterprise unit.** All acreage of the insured crop in the county in which you have a share on the date coverage begins for the crop year. An enterprise unit must consist of:

- 1) Two or more basic units of the same insured crop that are located in two or more separate sections, section equivalents, or FSA farm serial numbers; or
- 2) Two or more optional units of the same insured crop established by separate sections, section equivalents, or FSA farm serial numbers.

**Field.** All acreage of tillable land within a natural or artificial boundary (e.g., roads, waterways, fences, etc.).

**FSA farm serial number.** The number assigned to the farm by the local FSA office.

**Noncontiguous.** Any two or more tracts of land whose boundaries do not touch at any point. (Exception: Land separated only by a public or private right-of-way, waterway, or irrigation canal is considered contiguous.)

**Section** (for the purposes of unit structure). A unit of measure under a rectangular survey system. A tract of land usually 1 mile square and usually containing approximately 640 acres.

**State.** The state shown on the insured's accepted application.

**Whole farm unit.** All acreage of the insured crops in the county in which the insured has a share on the date coverage begins for each crop for the crop year.

## Parties to Crop Insurance Contract

**Assignment of indemnity.** An arrangement whereby you assign your right to an indemnity payment to any party of your choice for the crop year.

**Person.** An individual, partnership, association, corporation, estate, trust, or other legal entity, and wherever applicable, a state or a political subdivision or agency of a state. "Person" does not include the United States government or any agency thereof.

**Insured.** The person whose name is on the application accepted by the insurance company. This term does not extend to any other person having a share or interest in the crop (for example, a partnership, landlord, or any other person) unless specifically indicated on the accepted application.

**Limited resource farmer.** A producer or operator of a farm:

- 1) With an annual gross income of \$20,000 or less derived from all sources, including income from a spouse or other members of the household, for each of the prior 2 years; or
- 2) With less than 25 acres total for all crops, who makes a majority of his gross income from farming, and whose gross income from farming is not more than \$20,000.

**Share.** Your percentage of interest in the insured crop as an owner, operator or tenant. However, only for the purpose of determining the amount of indemnity, your share will not be more than it was at the earlier of the time of loss or the beginning of harvest.

**Tenant.** A person who rents land from another person for a share of the crop or a share of the proceeds of the crop.

**Substantial beneficial interest.** An interest of at least 10 percent in the insured crop.

## List of Dates and their Definitions

**Acreage reporting date.** The date by which the insured is required to submit an acreage report.

**Cancellation date.** The date specified in the Crop Provisions on which coverage for the crop will automatically renew unless canceled.

**Contract change date.** The date by which the insurance company makes any policy changes available for inspection in the agent's office.

**Coverage begins, date.** The date insurance begins on the insured crop, or the date planting begins on the unit.

**Days.** Calendar days.

**Delinquent account.** Any account in which premiums and interest on those premiums is not paid by the termination date specified in the Crop Provisions.

**Earliest planting date.** The earliest date established for planting the insured crop.

**End of insurance period, date of.** The date upon which your crop insurance coverage ceases for the crop year.

**Final planting date.** The date in the Special Provisions by which the crop must initially be planted in order to be insured for the full production guarantee or amount of insurance per acre.

**Late planting period.** The period that begins the day after the final planting date for the insured crop and ends 25 days later, unless otherwise specified in the Crop Provisions or Special Provisions.

**Premium billing date.** The earliest date upon which you will be billed for insurance coverage based on your acreage report. The premium billing date is in the Special Provisions.

**Sales closing date.** A date in the Special Provisions by which an application must be filed. The last date you may change your crop insurance coverage for a crop year.

**Termination date.** The date in the Crop Provisions upon which your insurance ceases to be in effect because of nonpayment of any amount due the insurance company.

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