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"CROP TALK"

Spring Newsletter 2005

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“The only thing necessary for the triumph of evil is for good men to do nothing.”

- Author Unknown

The new Spring 2005 Basic Crop Provisions are now in effect and several changes are notable. In this issue of “Crop Talk” we delve into these changes. The reason for and the summation of the changes is, “Increased Program Integrity”.

Significant Business Interest (SBI's)

New policy language for 2005 and succeeding crop years has put additional emphasis into correctness of reported Social Security Numbers (SSN'S), Tax ID Numbers, addresses, phone numbers and names of insureds.

Under the new policy language, a policy will be cancelled or rejected if incorrect SSN's or Tax ID's Numbers are reported. The correct information must be reported to us by the applicable Sales Closing Date (March 15). This change is also applicable for the forming of corporations or partnerships; we must have the information by Sales Closing.

It is imperative that you double-check the addresses, phone numbers, names of listed insureds, SSN's and Tax ID Numbers. Please don't risk policy cancellation over a few incorrect digits.

Excessive and Inconsistent Yields

The complexity of these new rules is high and this section of the newsletter may be one that you will want to read several times, along with visiting with us.

The Excessive and Inconsistent Yield rules modify the production that is entered into your Crop Insurance database. If you have verifiable records the yield reductions may not be applicable.

Excessive yields are actual yields that exceed the maximum yield edit level. The maximum yield edit level is 4 times the applicable T-yield. If Excessive yields are found and the insured cannot provide verifiable records to support the excessive yields, the approved Actual Production History (APH) will be reduced by replacing each excessive actual yield with an assigned yield that is:

75 percent of the approved APH yield for the previous crop year OR;

75 percent of the applicable county T-yield if no approved APH yield exists

Inconsistent yields are slightly different than excessive yields, but are still re-calculated when found and are unable to be substantiated with verifiable records. Inconsistent yields are approved APH yields that exceed 115 percent of:

The simple average of ALL the insured's approved yields for the crop whose database contains actual/assigned yields OR;

The applicable county T-yield if no other applicable databases contain actual/assigned yields available for comparison

When Inconsistent yields are found, the Inconsistent yields will be reduced commensurate with:

The simple average of the approved APH yields times 1.15 OR;

The applicable county T-yield times 1.15

The yield reductions for excessive and inconsistent yields apply to ALL insured acreage, not just the acres that exceed the limitations. Example, 320 acres exceed 115 percent, but you

farm 400 total acres – the reduction applies to all 400 acres. The yield reduction, when applied, will result in assigned yields. These assigned yields will cause the producer will lose any/all optional unit structures.

Insured Acreage Limitations

This is the third area of the database that is being examined to determine if there are abnormalities. Insured acreage exceeds the limit permitted by the policy if the current year's insurable acreage is greater than 400 percent of the average acreage with actual/assigned yields reported for APH purposes.

Insured acreage will also exceed the limit permitted by the policy if acres for two (2) or more APH crop years with actual/assigned yields reported for APH purposes are each less than 10 percent of the insurable acreage for the current crop year.

Schedules of Insurance

Due to the new policy language any errors on the Schedule of Insurance must be identified and corrected by the applicable Acreage Reporting Date. Errors found after the Acreage Reporting Date, regardless of who is at fault for the error, are very difficult to correct and the producer may incur penalties for the right to edit the mistake. Reporting planted acres before the applicable Acreage Reporting Date ensures that there will be time to review the Schedule of Insurance.

With respect to making changes, only changes that DECREASE liability will be permitted, liability may not be increased. Ultimately, no matter the situation, it is the company's decision whether or not to allow the changes.

Claims over \$100,000

Claims over \$100,000 now require a three (3) year APH audit. This should not constitute a problem for producers, as you and us, should have hard copy evidence of your production. This procedure is not wholly uncommon, as

claims of this amount in the past have required a review; the three (3) year time period is just new.

This is not a process that the producer must be heavily involved in; we can assist the adjuster by providing the necessary information, if we have accurate copies of your production on file. This change just re-emphasizes the importance of keeping and retaining accurate production records.

Record Keeping and Retention

The maximum number of years allowable in your crop databases is ten (10); the minimum number of years is four (4).

It is strongly recommended that producers retain records for the ten (10) most current crop years in which they planted and harvested insured crops. Although is not required by policy provisions that we have these records, we recommend that we have the four (4) most current crop years of harvested production on file for referential purposes. This also allows us to provide an additional service, as a back-up source to your record keeping.

“It isn't the load that breaks us down; it's the way we carry it.”
- Unknown

Premiums versus Claims

Although this is current and previous policy language, the companies are putting more emphasis into timely paid premiums with the risk of cancellation becoming increasingly greater when premiums are not paid by the due date regardless of a claim's status.

Although delaying the payment of a premium due to pending loss is not uncommon practice, and the fact that most companies have allowed this procedure in the past does not negate that new policy language puts additional emphasis into the paying of premiums timely. Bottom-line: Don't put your crop security at risk.

Prevented Planting

Prevented Planting (PP) acreage CANNOT be revised up or down once initially reported. Please make sure that your PP acreage is correct when you report it. Remember, after the Acreage Report is submitted and processed by the company, there are NO revisions to the PP acreage.

You must also notify us within 72 hours of your decision to Prevent Plant acreage or the Final Planting Date, whichever ever occurs first. This is consistent with previous years policy provisions.

Reported Crop Liability

There is now a ten (10) percent tolerance up or down, by unit, for incorrectly reported liability. This equals a range that spans from 90% to the actual liability to 110% of the actual liability.

Shares affect liability and acres affect liability.

Please make sure that they are reported correctly. Misreporting penalties have the most severe effect at claim time. Incorrectly reported shares and acres will always result in a reduced indemnity amount. In some cases, the incorrectly reported shares and acres penalty is so severe that it results in no indemnity at all.

Limited Resource Farmer

Farmers who indirectly earn gross farm sales of not more than \$100,000 in each of the previous two (2) years; AND whose total household income is at or below the national poverty level for a family of four can qualify for Limited Resource Farmer status. This status grants the producer immunity from paying the administrative fees associated with Crop Insurance. Both qualifications must be met before Limited Resource Farmer status will be granted. You can contact us for help in determining eligibility status or you can visit: www.nrcs.usda.gov/programs/smlfarmer_v2/help.htm for help in determining eligibility status.

Home & Auto Insurance (P & C)

Although we have written Home and Auto Insurance for several years, it is the facet of our agency that is not well known to the public. We are currently working to secure contracts with Home and Auto companies that we do not currently represent. The inclusion of these additional contracts will allow us to be increasingly competitive in the Home and Auto market. We encourage you to check with us frequently for updates on the new contracts as well as quotes.

Farm & Ranch Insurance

This situation is very similar to our aforementioned Home and Auto Insurance situation and we hope to represent several competitive companies in the very near future. Please check back with us frequently for updates and quotes.

We are currently in the process of updating our webpage, www.crophailins.com. When the renovation is complete we encourage you to visit the new webpage for the latest information updated weekly. Or you can always speak with us in person at (970) 522-1681, by fax at (970) 522-1467 or by E-mail at sonag@crophailins.com.

If you would like to start receiving this publication via E-mail, please contact us.

“A mind that has been stretched will never return to its original dimension.”

- Albert Einstein