



Dairy Revenue Protection Asked and Answered

Disclaimer: Nothing printed within this publication can modify or establish new procedure or be used as a defense for failing to follow FCIC approved policy and procedure.

ACCUMULATIVE VERSION

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DRP APPLICATION

AIP QUESTION

What is the first day an agent can take a DRP application?

RMA RESPONSE

The AIP that the agent writes for must be approved to write DRP, and the agent must complete their DRP training and testing before the agent can take DRP application. Thus, the application date must be subsequent to both the AIP's approval date and the agent's training/testing date.

AIP QUESTION

If an AIP hits their approved limit in the middle of the season and stops writing, what happens to farmers who have a policy with the AIP and want to write an additional endorsement on the policy? Will the company be required to write the endorsement even though they will exceed their limit? Will the farmer be allowed to write another policy with a different AIP for the remaining coverage periods?

RMA RESPONSE

If an AIP accepts an application they must write all of the endorsements to that application for the reinsurance year as the farmer is allowed only the one application for the reinsurance year. If an AIP believes they will exceed or has exceeded their approved LPRA, premium limit they should immediately submit a Plan of Operation revision requesting approval to increase their reinsurable premium limit.

FUND DESIGNATION

AIP QUESTION

The AIP has two days to submit their fund designation record following the premium PASS transmission, on a policy by policy basis, using the commercial fund (with our predetermined cession rate) or the private market fund. Our assumption is we are setting the cession rate, and the only option we have when submitting the P09 records (fund designation) is whether it goes to commercial fund or private market. Is this assumption correct?

RMA RESPONSE

Yes

ILLUSTRATION PURPOSES ONLY

NCIS COMMENTS

The following slides shown both at the July Train the Trainer Conference and Dairy Revenue Protection Training were used to illustrate a premium example. The rate used is for illustration purposes only.

Coverage Example – Class Pricing Option

Declared Covered Milk Production (Entered in Pounds)	2,000,000	
Expected Class Pricing Milk Revenue	\$335,000	
Coverage Level	95%	
Expected Revenue Guarantee	\$318,250	
Protection Factor	1.25	
Declared Share	1.000	
Liability	\$397,813	
Total Premium	\$7,081	\$397,813 * 0.0178
Premium Subsidy	\$3,116	
Producer Premium	\$3,965	

Coverage Example – Component Pricing Option

Declared Covered Milk Production (Entered in Pounds)	1,000,000	
Expected Component Pricing Milk Revenue	\$172,350	
Coverage Level	95%	
Expected Revenue Guarantee	\$163,733	
Protection Factor	1.00	
Declared Share	1.000	
Liability	\$163,733	
Total Premium (rate – 0.0256)	\$4,192	$\$163,733 * 0.0256$
Premium Subsidy	44%	
Producer Premium	\$2348	

PASS DATA PROCESSING HOURS

AIP QUESTION

PASS data processing hours of operation indicated in the Appendix III Narrative (Part I): “Operation hours for all reinsurance years are Monday 6:00 a.m. to 11:00 p.m., Tuesday through Thursday, 6:00 a.m. to 2:00 a.m. and Friday 6:00 a.m. to 8:00 p.m.” Dairy Revenue Protection sales occur each business day, overnight, until the next business day, with only a short time to correct any errors (error-free by noon central the day a sales period ends). Because of this tight timeframe, is RMA considering expanding PASS processing hours of operation?

RMA RESPONSE

No. RMA is currently not planning to revise PASS hours of operation.

TRAINING REQUIREMENTS FOR DRP

BULLETIN IS-18-007

Per Appendix IV, Section II (d) of the LPRA, a new agent must participate in structured training of at least 3 hours for each livestock plan of insurance. DRP is a new plan of insurance, no agent has experience selling DRP, thus it would be reasonable and appropriate for all agents to participate least 3 hours of training on DRP. Consistent with testing requirements in relation to sales of the Livestock Risk Protection program or Livestock Gross Margin program, initial agent competency testing and periodic retesting will be required in relation to sales of DRP.

TRAINING AND TESTING REQUIREMENTS

AIP QUESTION

What are the training and testing requirements? What qualifies as Dairy-RP training for agents? How is training going to be managed in regard to content and certification?

RMA RESPONSE

An agent that wants to take DRP applications must have at least 3 hours of DRP specific training and pass the competency test. The training content should cover the applicable elements listed in the LPRA Appendix IV, section II(b)(1). The date the agent completed training should be documented to verify compliance with 1) above.

LPRA PLAN OF OPERATION

AIP QUESTION

Can an AIP revise their LPRA Plan of Operation to sell DRP after the deadline stated in IS-18-007?

RMA RESPONSE

The Plan of Operation revision deadline in IS-18-007 was for the purposes of preparing for the initial sales effective date of October 9, 2018. An AIP can revise their Plan of Operation at any time to include DRP with the understanding that after approval it may take a period of time before they will be able to transmit applications/endorsements for acceptance in RMA's policy processing system. A current standard SRA holder that does not have an LPRA can apply for an LPRA at any time by submitting the required Plan of Operation exhibits. In this case, it may take a few weeks before they will be able to transmit applications/endorsements.

TWO AIPs IN ONE REINSURANCE YEAR

AIP QUESTION

Can a dairy farmer purchase Dairy Revenue Protection coverage with more than one AIP in the same crop year (reinsurance year)?

NCIS RESPONSE

No. A farmer can purchase DRP coverage with only one AIP in a crop year (CY)/reinsurance year (RY). An existing DRP insured can *transfer* to a different AIP by the DRP cancellation date and begin the *next* crop year with a new AIP.

NOTE: Because the DRP policy allows an insured to purchase up to five quarters of coverage at one time, it is possible for an insured's **coverage** to overlap into the next crop year (reinsurance year). In the case of a transfer, the insured could have individual 3-month quarters that are insured with two AIPs, but each AIP insures the quarter for a *different* CY/Ry.

EXAMPLE: An insured has 2019 DRP coverage with AIP A that overlaps into the 2020 CY/Ry. The insured transfers to AIP C for 2020. The first 2020 quarterly coverage endorsement the insured purchases with AIP C is for the same months as the *last* 2019 quarter insured with AIP A.

DRP TERMINATION DATE

AIP QUESTION

Confirm the termination date for DRP?

RMA RESPONSE

As specified in the Actuarial Documents, the termination date for the 2019 crop year is December 31, 2020.

BILLING DATE

AIP QUESTION

When is the first possible QCE billing date once sales begin on October 9th (April 2019?)

RMA RESPONSE

As specified in the Actuarial Documents, the premium billing date for this practice is April 25, 2019.

DAIRY SIZE LIMITATION

AIP QUESTION

Is there any limit to the size of the dairy that can be insured under DRP (ie., annual milk sales, gross income, etc)?

RMA RESPONSE

There are no limits to the size of dairy.

AIP QUESTION

Is the reference to Grade A milk (see policy material on next page) as a requirement for milk marketing records at loss time an indication that we can only insure Grade A milk?

I don't see reference to Grade A in the CEE or handbook, only here, so getting questions as to insurability of anything other than Grade A, realizing that almost all milk producers are Grade A.

(5) Your declared share at time coverage begins (You must provide the name(s) of other persons sharing in the insured milk if applicable); and

(6) Your selected protection factor (You must choose a protection factor between 1.00 and 1.5 in 0.05 increments and you may choose a different protection factor for each type and practice indicated on the quarterly coverage endorsement).

(d) Your milk production worksheet is due in the event of loss in accordance with section 7(b).

(1) The milk production worksheet must be accompanied by milk marketing records corresponding to the quarter insured from the insured dairy operation's milk cooperative or milk handler that provides records of the actual milk deliveries and, if applicable, the component levels in the milk sold.

(2) The milk marketing records shall show:

(i) The name, address, **Grade A** identifier assigned by a duly constituted regulatory agency, and payroll number or similar identifier of the producer;

(ii) The daily and total pounds, and the month and dates such milk was received from that producer; and

(iii) If the component price option elected, the total pounds of butterfat and protein contained in the producer's milk

RMA RESPONSE

The policy will only insure Grade A milk. The prices used for Dairy Revenue Protection are Grade A prices. Acceptable milk marketing records shall include the Grade A identifier by a duly constituted regulatory agency.

REINSURANCE YEAR FOR ENDORSEMENT

AIP QUESTION

I understand that the date the endorsement is written will determine the reinsurance year for the endorsement. Thus, we are going to have endorsements for the same interval written in different reinsurance years, which seems confusing. It would seem better to keep all of the endorsements for the same coverage period in the same reinsurance year. I think pecans with the two year policy would be analogous.

RMA RESPONSE

The design of the program is similar to other livestock programs where a price is offered for a future time period. The reinsurance year has always been tied to the effective date, when the risk being covered is established.

WHEN DOES COVERAGE BEGIN

AIP QUESTION

Will the final quarter of 2018 be available for coverage or does the coverage begin in the first quarter of 2019?

RMA RESPONSE

No. The final quarter of 2018 (Actuarial Practice “Oct – Dec/Yr1 – Qtr4”) would have had a Sales Period Begin Date of July 1, 2018, and a Sales Period End Date of September 15, 2018. The first sales will begin October 9, 2018, for the first quarter of 2019 (Actuarial Practice “Jan – Mar/Yr2 – Qtr1”).

STATEMENT REQUIREMENTS

AIP QUESTION

Are the Anti-Rebating and Multiple Benefits Statements required on the Quarterly Coverage Endorsement Form?

RMA RESPONSE

The Quarterly Coverage Endorsement requires both the USDA Multiple Benefit Certification Statement and the Anti-Rebating Certification Statement.

85% MILK PRODUCTION RULE

AIP QUESTION

What happens if they don't meet the 85% milk production rule?

RMA RESPONSE

If they fail to meet the 85% rule, they will be subject to the penalty and coverage will be reduced. Please refer to the example in the policy. Premiums will not be adjusted.

FSA – MARGIN PROTECTION PLAN

AIP QUESTION

How will DRP work with MPP?

RMA RESPONSE

Producers can participate in both programs. The only limitation in the DRP policy is with producers that want to participate in the LGM Dairy program.

PRICE DISCOVERY

AIP QUESTION

Several of these futures contracts trade at low volumes and several of the futures have no outstanding trades. How can the prices be discovered for expected pricing if no futures are trading? Is there a minimum threshold of contracts to be traded?

Year	Month	Current Price						Open Interest				
		Class III Milk	Class IV Milk	Butter	Cheese	Dry Whey	Class III Milk	Class IV Milk	Butter	Cheese	Dry Whey	
2018	8	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2018	9	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2018	10	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2018	11	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2018	12	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2019	1	15.79	15.41	230.98	1.64	36.85	1,035.00	128.00	177.00	834.00	143.00	
2019	2	15.62	15.44	230.75	1.63	36.30	624.00	136.00	178.00	756.00	141.00	
2019	3	15.63	15.41	230.48	1.62	36.25	658.00	107.00	147.00	777.00	165.00	
2019	4	15.80	15.60	231.73	1.64	36.20	551.00	89.00	7.00	651.00	62.00	
2019	5	15.86	15.64	234.18	1.65	36.25	366.00	30.00	5.00	555.00	63.00	
2019	6	15.94	15.80	234.75	1.67	36.53	283.00	26.00	4.00	454.00	51.00	
2019	7	16.10	16.15	230.40	1.68	36.00	191.00	NA	NA	377.00	11.00	
2019	8	16.32	16.45	229.40	1.71	34.53	140.00	NA	NA	170.00	10.00	
2019	9	16.34	16.44	230.00	1.71	34.48	121.00	NA	NA	129.00	8.00	
2019	10	16.37	16.75	231.00	1.70	35.00	113.00	NA	NA	118.00	8.00	
2019	11	16.30	16.72	227.50	1.69	35.50	95.00	NA	NA	130.00	8.00	
2019	12	16.22	16.62	224.00	1.68	36.50	95.00	NA	NA	118.00	8.00	
2020	1	16.10	19.00	186.00	1.68	46.25	NA	NA	NA	NA	NA	NA
2020	2	16.05	19.00	181.00	1.68	46.25	NA	NA	NA	NA	NA	NA
2020	3	16.00	19.00	181.00	1.71	46.25	NA	NA	NA	NA	NA	NA
2020	4	15.95	19.00	181.00	1.71	46.25	NA	NA	NA	NA	NA	NA
2020	5	15.90	19.00	181.00	1.71	46.25	NA	NA	NA	NA	NA	NA

RMA RESPONSE

Price discovery is based on prices as listed by the CME. There is not a minimum trading requirement.

AIP QUESTION

When will the ADM files be available?

RMA RESPONSE

We released the annual and quarterly Dairy Revenue Actuarial Data Master (ADM) files to the public on August 22 (previously planned for September 7). This release includes the following files:

Quarterly Records:

- DRP Draw
- DRP Milk Yield
- DRP Actual Price

Annual Record:

- DRP FMMO Pricing Factor

AIP QUESTION

Clarify what RMA's plans are for any type of quoting and when will something be available to quote?

RMA RESPONSE

RMA's online public cost estimator will allow quotes on each sales effective date that the actuarials are published beginning October 9. Until that point, RMA will be providing AIPs actual sales actuarial data on a daily basis in the AIPTest environment as if the program were available now. This will be provided in RMA's AIPTest environment to aid AIPs and RMA with testing premium calculations and acceptance of application/policy records. RMA plans to have DRP premium calculations and associated policy processing available in the AIPTest environment on or before September 6, 2018. AIPs can use this test actuarial data for quoting and educational purposes. RMA plans to go to production with the DRP PASS fund designation, Insurance in Force, and Premium records on September 19, 2018.

ESCROW QUESTION

AIP QUESTION

Will RMA escrow DRP losses?

RMA RESPONSE

No, the Livestock Price Reinsurance Agreement does not feature escrow accounts. DRP will be handled in the same manner as LGM and LRP.

INELIGIBILITY DATE

AIP QUESTION

Does the ineligibility date correspond to the QCE billing date or the DRP termination date if the premium isn't paid for the QCE?

RMA RESPONSE

Ineligibility within the DRP policy interacts with delinquent debt, termination, and ineligibility based on a couple conditions. This is laid out in the policy with the following example.

- For example, for the 2019 crop year, if you purchase Dairy Revenue Protection (DRP), with a termination date of December 31, 2020, and you do not pay the premium or other amounts due for DRP by the termination date, your livestock policies will terminate retroactive to the sales closing date that is immediately subsequent to the sales period for which the premium is delinquent, even if insurance has already attached to a subsequent sales period. The ineligibility date would be December 31, 2020. In accordance with section 2 (i)(2)(i)(C), for any other policy issued under the authority of the Federal Crop Insurance Act that does not have the same termination date of December 31, the termination for such other policy will be effective on the termination date following when a policyholder becomes ineligible. For example, a producer purchased a Dairy Revenue Protection quarterly coverage endorsement on December 3, 2018, and did not pay the premium by the premium due date and subsequently purchased a Federal reinsured corn policy on March 15, 2019. The Dairy Revenue Protection policy is terminated December 31, 2020, and the producer is ineligible for any livestock plan of insurance as of the next sales closing date after December 3, 2018. However, the Federal reinsured corn policy would remain in effect for 2020 and would be terminated as of March 15, 2021, if the Dairy Revenue Protection premium remained delinquent. No indemnity will be due for that crop year for either crop. You will not be eligible to apply for crop insurance for any crop until after the amounts owed are paid in full or you file a petition to discharge the debt in bankruptcy.

SAME MILK INSURED BETWEEN LGM AND DRP?

AIP QUESTION

How do we verify we are not insuring the same milk either on DRP or LGM?

RMA RESPONSE

We intend on having two validations centered on the interaction of DRP and LGM. Please refer to the PASS White Paper for Dairy Revenue provided to AIPs on August 23, 2018.

The first validation will be in PASS for DRP and LGM and is intended to work in the following manner:

- When a P18 comes into PASS, PASS will determine the quarter being purchased (trio of months by practice on the P18);
- We will check eDAS for the same: producer tax ID, location state, location county and dairy cattle (0847);
- eDAS check will determine based upon the month of LGM sale and the associated practice codes whether they have any dairy cattle insured for any of the 3 months from the proposed DRP quarter purchase; and
- If the conditions match, the DRP policy for the quarter will reject.

The second validation will be in eDAS when LGM is processed to account for any interaction with DRP and intended to work in the following manner:

- When a P14 comes into eDAS for LGM Dairy, we will use the date of sales and the corresponding actuarial practice to determine all calendar months for which they are attempting to purchase LGM Dairy;
- We will check PASS for the same producer tax ID, location state, location county and milk (0830);
- PASS check will determine based on the quarter of purchase whether they have DRP in affect for a quarter that contains any of the calendar months being purchased under LGM Dairy; and
- If the conditions match, the LGM policy for the month of sales will reject.

* These edits will prevent producers from insuring in both programs during the same time period only.

WHEN IS A POLICYHOLDER BOUND TO AN AIP?

AIP QUESTION

There is a bit of confusion in the marketplace about when a policyholder is bound to an AIP for Dairy Revenue. We assume it is with the date of the application (similar to all MPCl products); however, we have heard rumblings in the marketplace from our agents that they are hearing others indicate the policyholder is not bound to an AIP until the QCE is written and accepted.

RMA RESPONSE

The producer is bound to an AIP upon application, which is consistent with all other policies.

AIP QUESTION

Will NCIS develop DRP forms? Where are they located on the FTR?

NCIS RESPONSE

The forms are on the FTR under MPCl/Forms/Dairy Revenue.

NATIONAL CROP INSURANCE SERVICES
8900 Indian Creek Parkway, Suite 600
OVERLAND PARK, KANSAS 66210

August 20, 2018

BULLETIN NO. 18045
MPCl RATES AND FORMS NO. 2428

TO: MPCl MEMBERS

NCIS MPCl UNDERWRITING & LOSS FORMS

The following MPCl forms are available for use by NCIS member companies in administration of the Dairy Revenue Protection insurance program. The instructions for these forms are in the FCIC 20400U (08-2018) Dairy Revenue Protection Insurance Standards Handbook.

MPCl Forms	
935-18	Dairy Revenue Protection Transfer of Right to Indemnity
936-18	Dairy Revenue Protection Quarterly Coverage Endorsement
937-18	Dairy Revenue Protection Notice of Probable Loss
938-18	Dairy Revenue Protection Milk Production Worksheet
939-18	Dairy Revenue Protection Notice of Probable Loss and Milk Production Worksheet
940-18	Dairy Revenue Protection Final Proof of Loss

Current copies of loss and underwriting forms may be ordered from NCIS by calling (800-951-6247) or faxing (913-685-3080), attention Roxanne Wise. If you have Internet access, you can order forms from the NCIS Store: <http://www.ag-risk.org/shopncis/>. Authorized member company personnel may download loss adjustment and underwriting forms from the NCIS File Transfer Repository (FTR) system.

Don Hutsell

Don Hutsell, NCIS MPCl Director

ADMINISTRATIVE FEE

AIP QUESTION

Does the \$30 administrative fee apply to DRP?

RMA RESPONSE

The administrative fee does not apply to dairy.

CORRECT INSURED ENTITY

AIP QUESTION AND RMA RESPONSE

We have a dairy family (“Jones Inc.”) that owns 3 different dairies (Jones 1, Jones 2, and Jones 3). They do keep them separate but mainly for purposes of looking at them as different cost centers. However, the milk marketing pool statements will show different dairy names (Jones 1 through 3) and each has a different Payroll #.

What controls who is eligible for the policy? Is it EIN or payroll # or “entity” name on the milk marketing receipts? In the case above – there is one EIN at the Jones Inc. level. Jones 1 through 3 use the same EIN.

By the policy, it would appear EIN controls.

Response: The EIN controls and the EIN would have one policy for each state they have a dairy physically located in accordance with the definition of county.

Would it change if each subsidiary dairy had its own EIN?

You have Jones Inc. with EIN 0, but Jones 1 has EIN 1, Jones 2 has EIN 2, Jones 3 has EIN 3?

This might also be where each subsidiary has different ownership interests, but several go together and create a parent corporation.

From Section 2 of the DRP policy:

(e)With respect to your application for insurance:

(1) You must include your social security number (SSN) if you are an individual (if you are an individual applicant operating as a business, you may provide an employer identification number (EIN) but you must also provide your SSN); or

(2) You must include your EIN if you are a person other than an individual;

(3) In addition to the requirements of section 2(e)(1) or (2), you must include the following for all persons who have a substantial beneficial interest in you:

(i) The SSN for individuals; or

(ii) The EIN for persons other than individuals and the SSNs for all individuals that comprise the person with the EIN if such individuals have a substantial beneficial interest in you;

(4) You must include:

(i) Your election of plan of insurance; state; county; the crop ‘milk’; and any other material information required on the application to insure your milk; and

(ii) All information required in section 2(e)(4)(i) or your application will not be accepted and no coverage will be provided;

(5) Your application will not be accepted and no insurance will be provided for the year of application if the application does not contain your SSN or EIN.

The Person Types guidelines in the GSH are applicable to DRP. DRP works no different than other crop insurance policies with respect to Person Types.

SHARE VERIFICATION

AIP QUESTION

How do we conduct the verification of share that would occur at final reporting/claims time?

RMA RESPONSE

The evidence presented on the milk marketing records such as Name, Grade A identifier assigned by a duly constituted regulatory agency, payroll number or similar identifier of the producer, and the payment of the milk delivered. If this evidence is inconsistent with the declared share, then additional information may be required in accordance with Paragraph 1211 Determining Insurable Share in the GSH.

PRODUCTION WORKSHEET VERIFICATION?

AIP QUESTION AND RMA RESPONSE

Does a loss adjuster have to do the verification of the production worksheet? **No.** The **DRP Handbook** only requires the **AIP to verify these records.**

- a. There is adjustment to the production worksheet if the producer does not meet the production or yield numbers identified by the policy (per the **DRP policy**) **There are no adjustments to the production worksheet. The production worksheet is the insured's certification of pounds of delivered production and, if applicable, the component values of delivered production and verified by what was reported on the Milk Marketing Records. This information will be used to calculate the Final Revenue Guarantee and Actual Milk Revenue under the terms of the policy. This is no different than other livestock policies that require the insured to send signed documentation that may affect their indemnity**

- b. This adjustment to the PW affects the coverage and makes factual determinations regarding the amount of loss under the policy (per the **GSH**, this is the definition of adjusting). **See response above in a.**

LAB REPORTS AS VERIFIABLE THIRD PARTY RECORDS?

AIP QUESTION

Some milk cooperatives or milk handlers that provide records of actual milk deliveries do not list the pounds of the components of butterfat and protein on their records. The producers have independent labs test and determine the butterfat and protein levels. The lab report contains the producer ID that will match the settlement sheets from the purchaser. If the insured buys the component pricing option, can they use the lab reports as acceptable records?

RMA RESPONSE

Yes, the insured may use an independent lab to determine component levels provided the AIP can verify that it matches the settlement sheets from the producers and determine the total pounds of butterfat and protein from the milk delivered for the quarter.

MULTIPLE SHARES – LGM AND DRP

AIP QUESTION

Given a DRP policy with one or multiple shares, how would we handle when one of the shareholders insures LGM in the same month DRP overlaps (where they are insured together)? Would first signed endorsement prevail? Or could/would coverage potentially be reduced by a shareholders percent for DRP policy? Our example on the call the other day references the producer but not necessarily if there are shareholders with DRP and LGM crossing.

RMA RESPONSE

The DRP Policy is clear. Section 17 (2) states – “One policy is Dairy Revenue Protection and the other is a livestock policy insuring the **same milk** for the quarterly insurance period, the policy with the earliest date of endorsement for the quarterly insurance period will be in force and the other endorsement will be void.”

Note: Currently there is no data collected on a shareholder other than name on the Quarterly Coverage Endorsement, so there is no way to identify by PASS/EDAS whether a shareholder has a LGM policy unless the shareholder has a DRP policy or PASS/EDAS looks for names when share is less than 100%.

YIELD ADJUSTMENT FACTOR

AIP QUESTION

Is the Yield Adjustment Factor, i.e., the Actual versus Expected milk production per cow is expected to be the same in almost all cases?

RMA RESPONSE

In some cases the expected and actual will be same, but that will not always will be true.

AIP QUESTION

The policy does not define a business day?

RMA RESPONSE

The policy doesn't define business RMA will be adding the following definition to the AIB.

Business Day- means Monday through Friday unless the CME Dairy markets are closed for a scheduled holiday. In the case the CME Dairy markets are closed for a scheduled holiday the next business day will be based on the next day the CME Dairy markets reopens for trades.

MILK MARKETING RECORD VERIFICATION

AIP QUESTION

When the Farm submits the milk marketing records for an indemnity does the AIP who is going to pay that out have to verify the milk records are correct with the milk cooperative or milk handler?

RMA RESPONSE

The policy requires the AIP to verify what the insured reported under the milk production worksheet matches the milk marketings records. We do not require the AIP to verify with the cooperative or milk handler, but the AIP may do so if they deem it necessary.

DRP – QCE ACCEPTANCE

AIP QUESTION

On October 9, 2018, ADMs will be loaded that allow us generate and accept our first Quarterly Coverage Endorsements.

Our assumptions:

1. The QCE must be sign by the insured by October 10, 2018 no later than 9:00 a.m. to request the coverage.
2. The QCE information must be keyed and cleared through pass no later than October 10, 2018 at 12:00 p.m. to bind the coverage with RMA.

Sales are to end at 9:00 a.m.; however, an insured could sign the document at 9:15 a.m. and we could still key the information up through and until the 12:00 p.m. PASS acceptance time?

If a dairy wishes to purchase a QCE at 8:45 a.m., that is acceptable IF the system each AIP builds can accept electronic signatures, faxed or scanned copies of the documentation due to the tight time frame for completion? Our assumption is that the QCE cannot be keyed and pushed through pass prior to having that signed document in hand (either electronically or paper copy).

NCIS RESPONSE

The policy states sales for a given Sales Closing Date end at 9 a.m. Central the business day following release of the data for that Sales Closing Date/Effective Date. For training, I would *not* say the insured can sign the document after sales are to have ended. That goes against what the policy states. The QCE data can be *keyed* after 9 a.m.

Once the QCE is signed, then keyed, it needs to get into a batch and to RMA's servers before noon Central – the timestamp is the key. That file will need to be error-free once processed, which is why it's best for AIPs to get it to the PASS server for processing as early as possible so the AIP has a little time to fix errors.

The following excerpt from the current 2019 Draft DRP PASS White Paper should help (I also attached a copy – it was made available last week, and I submitted more updates to RMA for possible release this week):

Batch Received Date must be **before** Noon Central the business day after the Sales Effective Date /Sales Closing Date (e.g., three hours after the Sales Period ends at 9 a.m. Central) (using new D00166 IceRmaHoliday).

- P18 records will be accepted (process result code of 'A') *after* Noon Central time as long as the batch was submitted *before* noon (Initial accepted batch number, Initial accepted date, Batch received date, Batch number, and Batch record ID).
 - **For example:** a batch is submitted at 11:45 a.m. Central but does not start processing the P18 records until 12:15 p.m. Those P18 records will be accepted and coverage for the quarterly insurance period(s) will attach if the records are free of errors (i.e., no calculation or other errors).

- The key P18 data RMA returns to the AIP in the output file are the Initial accepted batch number, Initial accepted date, Batch received date, Batch number, Batch record ID, and Process result code. These output values determine if QCE was received timely and has been accepted in PASS as a valid sale. Until the AIP receives this confirmation, the coverage written on the P18 premium record is not confirmed.
- Edits will ensure producer is eligible for ITS as of sales effective date. For each P18, PASS verifies producer eligibility as of Sales Effective Date (Sales Closing Date).

You can also check out – if you didn’t already – the updated timeline/lifecycle presentation from the 8/9 session. The most current posted on the FTR is updated to properly fit what the submitter intends, and there is a voiceover version (video) with the other videos under the MP General folder.

AIP RESPONSE

They wanted answer in writing with policy language that would support if possible.

NCIS RESPONSE

The 9 a.m. end time is in the policy definition of Sales Period:

Sales period - The period of time that begins when the coverage prices and rates are validated **and ends at 9:00 AM Central time** of the following business day in which you can purchase quarterly endorsements.

Additionally, they can reference policy section 3(f):

(f) Coverage can be purchased at **any time during the sales period.**

Policy section 3, items (g) through (i) are also relevant to sales:

(g) Sales of Dairy Revenue Protection will be suspended for the next sales period if unforeseen and extraordinary events occur that interfere with the effective functioning of the milk commodity markets or milk production reports, as determined by RMA.

(h) In the event of a limit movement of any milk futures expiring during the insured period, sales of Dairy Revenue Protection will be suspended.

(i) Sales of Dairy Revenue Protection will be suspended on the calendar days on which USDA releases the Milk Production report, the Cold Storage report, or the Dairy Products report, as well as any other days that for any reason Dairy Revenue Protection offer prices are not published in the actuarial documents.

The DRP handbook also addresses the sales period timeframe in paragraph 23 B.

Technically, because sales end for that period at precisely 9 a.m. Central, this product would have functioned exactly like the old eDAS front-end livestock would have: you’re in or you’re out.

In this case, the mechanics are slightly different since we’re sending via PASS and the submitter is allowing a few hours to get the records clean and at RMA (before noon Central). The submission rule is in Appendix III (part of the SRA), Record P18 DRP Premium, Record Level Rule 1: “Batch Received Date must be before Noon Central the next business day after the Sales Effective Date.”

The discovery and potential for next price release begins by early afternoon on that same day, and the submitter wants all records and purchases for the prior sales wrapped up and in advance of the next price build starting.