Program Resource for Insurance Professionals

Emergency Relief Program (ERP) Phase 1 for Crop Insurance Policyholders

Background

ERP Phase 1 for crop insurance will include policyholders that received an indemnity in crop years 2020, 2021, or 2022 for a qualifying disaster event that occurred in the 2020 or 2021 calendar year. Coverage and claim data reported to RMA by the AIPs is used to calculate the ERP payment amount for each insured unit. The ERP payment calculation generally follows the type of coverage purchased but replaces the crop insurance coverage level with a higher coverage level (i.e., ERP factor). The result is reduced by the net indemnity paid to the producer (e.g., total indemnity less producer premium and administrative fees). In other words, ERP covers a portion of the loss incurred that is within the crop insurance deductible while also reimbursing producer premium and administrative fees.

With few exceptions, primary policyholders that received an indemnity in crop years 2020, 2021, or 2022 and that had claim records indicating a date of damage in the 2020 or 2021 calendar year will receive a letter from the USDA-FSA. The letter will include a pre-filled application for each crop year that will provide information on the crop(s), physical location(s), and unit(s) potentially eligible for assistance under Phase 1. Also included will be SBIs associated with the policy, gross indemnity, and the calculated ERP payment. Crop insurance data used to pre-fill the application is as of May 2, 2022, and cannot be modified. Any disputes over this information would need to be addressed in a subsequent Phase of ERP. In addition, the data will be updated at a future date to identify 'new' records, resulting in a separate mailing.

Producers will be required to input crop share information, certify to future crop insurance purchase requirements, and, most importantly, certify that a qualifying disaster event did cause some portion of their loss. Causes of loss reported on crop insurance claim records are not used to establish producer eligibility. Producers will take completed applications to their local service center to complete the process, including the determination of payment limits and eligibility for historically underserved producer adjustments. FSA will also apply a 75% payment factor that may be adjusted higher in the future (additional payments made) if funds are available.

The general concept behind the payment calculation is as follows:

ERP Payment = (Expected Value x ERP Factor – Actual Value)

x Share
– Indemnity Amount
+ Producer Premium
+ Administrative Fees

Finer Detail

Qualifying Disaster Event

Includes wildfires, hurricanes, floods, derechos, excessive heat, winter storms, freeze (including a polar vortex), smoke exposure, excessive moisture, qualifying drought, and related conditions. For qualifying drought, any area within the county must have been rated by the U.S. Drought Monitor as having D2 for eight consecutive weeks or D3/D4 level of drought intensity.

Cross Agency Matching

For a producer to receive a letter, the primary policyholder tax identification number, as reported by the AIP, must match with data on file with FSA. Similarly, for an SBI to be listed on the ERP application, the SBI tax identification number must match with data on file with FSA.

Policy Exceptions

Perennial crops with an intended use of grazing (as determined by the ADM); livestock policies; nursery; forage seeding; Cottonseed Endorsement; Downed Rice Endorsement; Sugarcane Crop Replacement Endorsement; Margin Protection Plan policies purchased without a base policy; replant payment claim records; and raisin reconditioning payment claim records are not included in the data provided to FSA.

In addition, policyholders with 2021 crop year coverage under Stacked Income Protection (STAX), Supplemental Coverage Option (SCO), Enhanced Coverage Option (ECO), Margin Protection (MP), and Area Risk Protection Insurance (ARPI) are not included in the data provided to FSA. This includes the underlying crop-units associated with STAX, SCO, ECO, and MP. The data will be updated at a future date to identify 'new' records and will be followed by a separate mailing.

Data Transformations

Given the need to minimize the number of records for a given producer, crop insurance data was aggregated to the insured unit level. This necessitated the creation of unit numbers for purposes of the ERP application. The following table outlines how unit numbers were derived for the ERP application:

UNIT TYPE	DERIVED UNIT NUMBER (ERP APPLICATION "PAY UNIT")
Enterprise	EU-0001000 (ignores basic unit number and optional unit number reported through PASS)
Enterprise by Irrigation Practice	EP-0001 + irrigation practice code (e.g., EP-00010002) (ignores basic unit number and optional unit number reported through PASS)
Enterprise by Cropping Practice	EC-0001 + cropping practice code (e.g., EC-00010019) (ignores basic unit number and optional unit number reported through PASS)
Enterprise by Type	ET-0001 + type code (e.g., ET-00010012) (ignores basic unit number and optional unit number reported through PASS)
Basic Unit	BU-basic unit number + 0000 (e.g., BU-00020000) (ignores optional unit number reported through PASS)
Optional Unit	OU-basic unit number + optional unit number (e.g., OU-00010009) (reflects basic unit number and optional unit number reported through PASS)
Unit Division Option	UD-basic unit number + optional unit number (e.g., UD-00010009) (reflects basic unit number and optional unit number reported through PASS)
Written Unit Agreement	UA-basic unit number + optional unit number (e.g., UA-00010009) (reflects basic unit number and optional unit number reported through PASS)
Whole Farm Unit	WU-00000000 (ignores basic unit number and optional unit number reported through PASS)
Whole Farm Revenue Protection	-00000000 (no unit number reported through PASS)
Area-based plans	- + basic unit number + optional unit number (e.g., -00010009) (reflects basic unit number and optional unit number reported through PASS)

In some limited situations, multiple policy numbers for the same producer, crop, and county resulted in two units with the same derived unit numbers. In these situations, the '00' in the fourth and fifth position of the derived unit were replaced with '88' for one of the units (e.g., BU-00020000 became BU-88020000). This was necessary given that the ERP application does not include other identifiers such as policy number, insurance plan, or coverage type code (CAT vs. Buy-up).

For the whole farm unit structure (WU unit structure code), the ERP application will list "Whole Farm Unit" as the crop as the crop insurance data for all crops under the WU were combined.

For policies with multi-county enterprise units, crop insurance data for the secondary county is combined with the primary county. The ERP application does not provide the secondary county.

ERP Factor

The following table provides the ERP factor associated with a given level of crop insurance coverage:

CROP INSURANCE COVERAGE LEVEL	ERP FACTOR
Catastrophic coverage	75.0
More than catastrophic coverage but less than 55 percent	80.0
At least 55 percent but less than 60 percent	82.5
At least 60 percent but less than 65 percent	85.0
At least 65 percent but less than 70 percent	87.5
At least 70 percent but less than 75 percent	90.0
At least 75 percent but less than 80 percent	92.5
At least 80 percent	95.0

In the basic case, the crop insurance coverage level is established as the coverage level percent multiplied by the price election percent (e.g., 75% x 90% equals 67.5% and results in an 87.5% ERP factor). However, supplemental coverages are also included. That is, if someone with Revenue Protection at 75% also purchased the full value of SCO and the full value of ECO, the producer would be recognized as having a 95% coverage, resulting in a 95% ERP factor. All net indemnities from supplemental coverages are subtracted from the ERP payment.

ERP Payment Calculations

The general calculation for all plans except ARPI, RI, and standalone STAX policies is:

- ERP Payment = (Expected Value x ERP Factor – Actual Value) x Share x Multiple Commodity Factor – Indemnity Amount + Producer Premium + Administrative Fees
- Expected value is derived from data reported on the loss record and is adjusted to reflect 100% of the price election (as applicable). For example, expected value for APH (90) is calculated as: (Loss Guarantee Amount x Price Election) / (Coverage Level Percent x Price Election Percent).
- Actual value is derived from data reported on the loss record and is adjusted to reflect 100% of the price election (as applicable). For example, actual value for APH (90) is calculated as Production to Count x Price Election. For YP (01) or RP (02), actual value equals the Revenue to Count reported on the loss record.
- Multiple commodity factor is the 65% reduction applied (0.35 factor) when first crop/second crop rules apply.
- Indemnity amount and producer premium include any amounts for supplemental coverages associated with that crop-unit. Since the ERP application reports at the crop-unit level and administrative fees are not assessed at the unit level, all fees associated with the crop are applied to one unit on the application.

For ARPI, RI, and standalone STAX policies, the ERP factor was used to recalculate what the area-based payment factor for production losses would have been under the given plan. The formulas for these vary by plan but, as an example, the RI calculation is:

- ERP Payment = Expected Value x ERP Factor x Modified Payment Factor x Share x Multiple Commodity Factor – Indemnity Amount + Producer Premium + Administrative Fees

ERP Phase 1 Application Update

The initial ERP Phase 1 applications were based on crop insurance data as of May 2, 2022. Updated crop insurance data, as of August 15, 2022, will be used by FSA to generate additional ERP Phase 1 applications in late August 2022. The following scenarios will be covered by this update:

1. Policyholders with crop-units that previously did not have claims reported to RMA;
2. Policyholders with 2021 crop year coverage under STAX, SCO, ECO, MP, and ARPI;
3. Policyholders with 2020 prevented planting claims for crops with a 2020 final planting date that were recorded with a 2019 damage date;
4. Policyholders with nursery claims; and
5. Policyholders that already received an ERP application for a crop-unit but have had changes to their crop insurance data that results in an increased ERP payment.

In the case of policyholders that already received an ERP application for a crop-unit (scenario 5), producers will see a modified unit type of "MD" on their new application showing the net increase in payment.

For example, EU-00010000 for corn was included on the original application with a calculated ERP payment of $10,000.

Updated crop insurance data now suggests a total payment of $12,000 for that unit. In this case, the new application will include MD-00010000 for corn with a calculated ERP payment of $2,000 to reflect the net increase.

In limited situations, crop insurance data for a given producer-crop-county changed across multiple units with some units resulting in ERP payment increases and others resulting in payment decreases. In these cases, producers will see unit MD-99999999 on their application to reflect their overall net increase in payment for the crop-county.