



NAU Country Insurance Company

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## Memo

To: NAU Affiliates  
Date: September 12, 2012  
Subject: Aflatoxin Procedures (revised)

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The challenges of the 2012 growing season are very well documented. A common condition on grain that has been stressed by drought is **aflatoxin**. RMA has very specific procedures that AIP's must adhere to when completing claims. This memo is an overview of some of these processes. Please note that RMA requires third party sampling (adjuster or elevator).

### Sample Procedures:

1. ALL SAMPLES are to be taken and stored by a disinterested third party (elevator and/or adjuster). If the insured is delivering the grain to an elevator, in most cases, the elevator will take and store the sample. For grain that is going to be farm stored, a disinterested third party will have to take a sample from the field or truck before the grain is placed in the bin. This will most likely have to either be done by an elevator or by an adjuster. In the event the crop is going to be harvested prior to a sample being pulled, this insured must contact the adjuster so the adjuster can authorize strips for the sample to be pulled from. The strips cannot be left without the adjuster's permission and agents cannot authorize insureds to leave strips. With the conditions of crops in the region and the wide spread area effected, it will be a case-by-case basis on how and when the adjuster can get a sample.
2. All samples are required to be 10 pounds and in a breathable bag or box.
3. The sample is required to indicate the crop insurance company's name (NAU), the insured's name, address, unit number, and ticket number of the load discounted.
4. A company representative will pick up the samples from the elevator and deliver to the testing facility. Under no circumstance can the insured or agent handle or have in their possession the aflatoxin sample.
5. The insured will receive the sample results by mail. They will then match the sample results with a settlement sheet or load records from the field in which the sample was taken and then notify the adjuster.
6. When the adjuster is working the claim, if the grain testing facility found the grain to contain over 20ppb aflatoxin and the insured delivered and sold the grain directly from the field and had an aflatoxin discount on their sold grain, delivered the grain directly from the field to commercial storage, or farm stored the grain, the adjuster will either:

**For sold production that has not been farm stored prior to being sold** – The production to count will be reduced by the reasonable reduction in value (RIV). The discount factor is calculated by using the RIV applied by the buyer due to all insurable quality deficiencies divided by the local market price per bushel for undamaged grain the day the load was sold. That value is subtracted from 1 and the resulting value multiplied by the bushels delivered on that load after moisture deductions. The resulting value is the production to count for claim purposes.

### Example

1000 bushels delivered. 100ppb Aflatoxin

RIV = \$2.00            Local Market Price \$6.00

$\$2.00/\$6.00 = .333$      $1 - .333 = .667$

$1000 \text{ bu} \times .667 = 667 \text{ bu}$  as production to count for claim purposes

### **For production that is placed in commercial storage directly from the field and is unsold as the date of adjustment –**

Prior to 60 days after the calendar date (12/10) for the end of the insurance period the insured can elect to settle the claim based upon the discount factors contained in the Special Provisions of Insurance. If the grain remains unsold in commercial storage 60 days after the calendar date for the end of the insurance period, the claim will be settled using the discount factors contained in the Special Provisions of Insurance. If the aflatoxin levels are greater than 300 ppb, then the claim cannot be settled until the grain is fed, sold, used, or destroyed.

**For farm stored production** – Once grain is placed in on the farm storage, the aflatoxin discount will be figured based on the discount factors contained in the Special Provisions of Insurance for aflatoxin ranging from 20.1 ppb to 300.0 ppb. If the aflatoxin levels are greater than 300 ppb, then the claim cannot be settled until the grain is fed, sold, used, or destroyed. **Samples cannot be pulled from on the farm storage structures to be tested for aflatoxin; therefore strips must be authorized and left in the field for samples to be obtained or samples pulled by an approved disinterested third party or the company from the truck or the field prior to being placed in storage.**

**Aflatoxin levels 20 ppb and less do not qualify for any discount factor.**

### **Farmer procedures if delivering the grain to a elevator to be sold or commercial stored:**

1. Notify agent of suspicion of aflatoxin due to poor crop conditions and/or cases of aflatoxin in the area.
2. Harvest the corn as you would typically do.
3. Upon delivering the grain to the elevator and if the elevator discounts for aflatoxin. Ask the elevator to retain a sample. Make sure the sample is labeled with insured's name, address, unit number of the field, ticket number, and NAU. Also, the insured needs to notify your adjuster or agent that the elevator has the sample.
4. The insured will receive the sample results in the mail.
5. Match the sample results with the settlement sheet from the elevator.
6. Make contact with adjuster to provide settlement/assembly sheets and test results from the testing facility.

### **When the insured is going to farm store the grain.**

1. Notify the Agent that harvest is taking place and suspicion of aflatoxin due to poor crop conditions and/or cases of aflatoxin are in the area.
2. Determine who and when samples are going to be taken BEFORE it is put in the bin.
3. The samples need to be labeled with NAU, the insured's name, address and unit number of field in question.
4. Keep the results as they come in by mail.
5. Upon completion of harvest of total acres, contact agent/adjuster to let them know you have all of the results.

## Frequently Asked Questions

### **Who keeps the sample?**

The elevator or adjuster will keep the sample. The insured and agent cannot handle or be in possession of the sample.

### **Who pays for the sample?**

The insured is required to pay for the sample.

### **How much will the insurance company pay me for aflatoxin?**

- A. If you sold your grain prior to being placed in on the farm storage, the reduction in value will be applied to the bushels delivered on a load by load basis.
- B. If you farm stored your grain, commercially stored your grain and elect to settle your claim prior to selling the grain, or your grain remains in commercial storage 60 days after the calendar date for the end of the insurance period, your production will be adjusted by the discount factor contained in the Special Provisions of Insurance in accordance with the level of aflatoxin determined by the testing facility for levels 300.0 ppb or less.

### **Will I get a separate check for the aflatoxin?**

No. The aflatoxin discount is applied to your production when determining the production to count for claim purposes.

### **Why do I have to leave strips?**

Insureds only have to leave strips if they are storing the grain on the farm prior to selling the grain or if the elevator will not pull and retain a sample. If you are taking your grain to the elevator and they are taking a sample, you DO NOT have to leave strips.

### **Can I harvest the strips?**

After all samples have been taken, the insured can harvest, bail, or destroy the samples. Please ask the agent/adjuster if all the necessary samples have been taken from the particular strip.

### **When will I know NAU has collected the sample from the strips?**

The adjuster will contact the insured to obtain information about the strips.

### **Who is my adjuster?**

An adjuster will contact you when they receive your claim.

### **When will the adjuster be here to work my claim?**

After you finish harvesting all fields and have obtained all sample results and settlement sheets, notify your agent or adjuster. At that time the adjuster will set up an appointment.

Attached is an [Aflatoxin Reference Guide](#) for your use. Please contact your Claim Supervisor or your Branch Office if you have any questions.

Sincerely,

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Attach.