

The 'Combo Policy'

... on track and headed your way!

By Mike Sieben, NCIS

The Common Crop Insurance Policy, or as we like to call it the 'Combo Policy,' was released in Final Rule on March 30, 2010, and will be available for the 2011 crop year. The combo policy revises the Common Crop Insurance Regulations to combine the Actual Production History (APH), Crop Revenue Coverage (CRC), Revenue Assurance (RA), Income Protection (IP) and Indexed Income Protection (IIP) into a single insurance plan. The intended effect of this action is to offer producers a choice of revenue protection or yield protection within one basic provision and the applicable crop provisions.

The Risk Management Agency (RMA) kept and combined the principle features in the five plans that producers bought most often. RMA also developed a single rating and pricing component so all insurance coverage is consistent in insurance protection and cost to producers.

"The Combo Policy creates one insurance plan that replaces five similar plans, which will greatly simplify the insurance process for agents and promote better understanding of the options available for producers" said USDA's Risk Management Agency Administrator William J. Murphy. "The Combo Policy will also reduce the amount of paper that the companies have to deal with since multiple, similar plans are rolled into one insurance plan."

Crop provisions have been revised to provide either revenue protection or yield protection plans of insurance for barley, canola and rapeseed, corn, cotton, grain sorghum, rice, soybeans, sunflowers and wheat. Revenue protection provides protection against loss of revenue caused by price changes or low yields or a combination of both (for corn silage and rapeseed, protection is only provided for production losses). Yield protection provides protection for production losses only.

To understand what policy protection a carryover policyholder will have for the 2011 crop year as compared to 2010, please see the chart on page 5:

Carryover policyholders who insured their crops with a Crop Revenue Coverage or Revenue Assurance policy in 2010 will automatically have Revenue Protection for 2011. Carryover policyholders who insured their crops under the Actual Production History plan will be automatically rolled to the Yield Protection plan for 2011. If a policyholder wants to make a change in coverage to a different plan, then he will need to see his agent prior to the sales closing date for the crops insured.

A projected price and a harvest price for the crops insured under the Combo Policy will be determined by using the Commodity Exchange Price Provisions (CEPP). The projected price will be used to determine the premium, any replant payment or prevented planting payment for the Yield Protection policy and Revenue Protection policy. For Revenue Protection, the revenue protection guarantee will be determined by multiplying the production guarantee by the greater of the projected price or the harvest price (if the harvest price exclusion is in effect, the revenue protection guarantee will be determined by multiplying the production guarantee by the projected price). The harvest price will be used to value the production to count.

Company personnel have been invited to attend a meeting to learn the basics of how the 'Combo Policy' works on May 18 & 19, 2010, in Overland Park, KS. The meeting agenda includes; basic provision changes, crop provision changes, details on how the projected price and revenue price is computed, form changes, how information can be accessed, and how coverage is calculated. In turn, the company personnel will then train the crop insurance agents on the Combo Policy who will then be able to explain these changes to producers.

The goal of the 'Combo Policy' is to reduce the amount of information producers must read to determine the best risk management tool for their operation and to better meet the needs of the insured producers. Combo Policy is on the track and headed your way.

2011 COMMON CROP INSURANCE POLICY CONVERSION CHART

2010 Policy	Converted for 2011 Crop Year
Crop Revenue Coverage (CRC)	Revenue Protection
Revenue Assurance (RA) -with Fall Harvest Price Option	Revenue Protection
Revenue Assurance (RA) -without Fall Harvest Price Option	Revenue Protection with Harvest Price Exclusion
Actual Production History (APH)	Yield Protection
Income Protection (IP)/ Indexed Income Protection (IIP)	Revenue Protection with Harvest Price Exclusion
CAT Income Protection (IP) Indexed Income Protection (IIP)	Revenue Protection with Harvest Price Exclusion (50/100)

IMPORTANT DEFINITIONS

Revenue Protection—Insurance coverage that provides protection against production loss or price decline or increase or a combination of both.

Revenue Protection with Harvest Price Exclusion—Allows the producer to exclude the use of the harvest price in the determination of the revenue protection guarantee.

Yield Protection—Insurance coverage that only provides protection against a production loss for crops for which revenue protection is available but was not elected.

Commodity Exchange Price Provisions (CEPP)—A part of the policy that is used for all crops for which revenue protection is available, regardless of whether the producer elects revenue protection or yield protection for such crops. This document will include the information necessary to derive the projected price and the harvest price for the insured crop, as applicable.

Projected Price—A price determined in accordance with the Commodity Exchange Price Provisions and used for all crops for which revenue protection is available, regardless of whether the producer elects to obtain revenue protection or yield protection for such crops.

Harvest Price—A price determined in accordance with the Commodity Exchange Price Provisions and used to value production to count for revenue protection.

Revenue Protection Guarantee (per acre)—For revenue protection only, the production guarantee (per acre), times the greater of the projected price or the harvest price. If the harvest price exclusion option is elected, the production guarantee (per acre) is only multiplied by the projected price.

Yield Protection Guarantee (per acre)—When yield protection is selected for a crop that has revenue protection available, the production guarantee times the projected price.