

# Crop Insurance PLAN COMPA

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The NCIS Crop Insurance Plan Comparison (CIPC) has been updated for the 2010 crop year, and is current as of October 12, 2009. This popular NCIS product is designed for use as a quick-reference job aid for crop insurance company personnel, crop insurance agents, and producers alike.

The CIPC is a thorough, yet compact list of major attributes of the Crop Revenue

Coverage (CRC), Group Risk Income Protection (GRIP), Group Risk Plan (GRP), Income Protection (IP), Multiple Peril Crop Insurance (MPCI)/Actual Production History (APH), and Revenue Assurance (RA) plans of insurance. The CIPC includes a general overview and a side-by-side comparison of these more widely available crop insurance products which are available on a national or almost-national basis.

Use the CIPC to help make sense of the major crop insurance products listed above. Please note that the products and product topics summarized in this chart are NOT all-encompassing and do NOT substitute for the policy provisions. Please refer to the policy provisions and/or contact your company for a complete description of the available coverages and their terms and conditions.



## Crop Revenue Coverage (CRC)

The most widely available revenue protection policy is CRC. This policy guarantees an amount of revenue (based on the individual producer's actual production history (APH) x commodity price) called the final guarantee. The coverage and exclusions of CRC are similar to those for the standard MPCI policy. This final guarantee is based on the greater of the spring-time generated price (base price) or the harvest-time generated price (harvest price). While the guarantee may increase, the premium will not. Premium will be calculated using the base price. Since the protection of producer revenue is the primary objective of CRC, it contains provisions addressing both yield and price risks. CRC covers revenue losses due to a low price, low yield, or any combination of the two. A loss is due when the calculated revenue (production to count x harvest price) is less than the final guarantee for the crop acreage.

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## Group Risk Income Protection (GRIP)

GRIP is based on the experience of the county rather than individual farms, so APH is not required for this program. A GRIP policy includes coverage against potential loss of revenue resulting from a significant reduction in the county yield or commodity price of a specific crop. When the county yield estimates are released, the county revenues (or payment revenues) will be calculated prior to April 16 of the following crop year. GRIP will pay a loss when the county revenue is less than the trigger revenue. Since this plan is based on county revenue and not individual revenue, the insured may have a loss in revenue on their farm and not receive payment under GRIP. The GRIP Harvest Revenue Option (HRO) Endorsement is available. This optional endorsement offers “upside” price protection by valuing lost bushels at the harvest price in addition to the coverage offered under GRIP.

## Group Risk Plan (GRP)

Like GRIP, GRP coverage is based on the experience of the county rather than individual farms, so APH is not required for this program. GRP indemnifies the insured in the event the county average per-acre yield or payment yield falls below the insured's trigger yield. The Federal Crop Insurance Corporation (FCIC) will issue the payment yield in the calendar year following the crop year insured. Since this plan is based on county yields and not individual yields, the insured may have a low yield on their farm and not receive payment under GRP.

## Income Protection (IP)

IP is a revenue product that, based on the individual producer's APH, protects against a loss of income when prices and/or yields fall. While IP looks a lot like CRC, it does not have the increasing price function of CRC. The guarantee and the premium will be calculated using the spring-time generated price (projected price). An indemnity is due when the revenue to count (production to count x harvest price) is less than the amount of protection.

## Multiple Peril Crop Insurance (MPCI) / Actual Production History (APH)

MPCI/APH is the oldest and most popular product to make this list. As the name implies, MPCI provides protection against a loss in yield due to nearly all natural disasters. For most crops, that includes drought, excess moisture, cold and frost, wind, flood and unavoidable damage from insects and disease. MPCI guarantees a yield based on the individual producer's APH. If the production to count is less than the yield guarantee, the insured will be paid a loss.

## Revenue Assurance (RA)

The coverage and exclusions of RA are similar to those for the standard MPCI policy. However, MPCI provides coverage for loss of production, whereas RA provides coverage to protect against loss of revenue caused by low prices or low yields or a combination of both. RA has the Fall Harvest Price Option (FHPO) available. This Option uses the greater of the fall harvest price (harvest-time generated price) or the projected harvest price (spring-time generated price) to determine the per-acre revenue guarantee. So, with the Option, RA works like CRC, without the Option, it works like IP. RA protects a producer's crop revenue when the crop revenue falls below the guaranteed revenue.

# CROP INSURANCE PLAN COMPARISON

	CRC	GRIP	GRP	IP	MPCI/APH	RA
Plan Code	44	73	12	42	90	25
Coverage	individual revenue	area revenue	area yield	individual revenue	individual yield	individual revenue
Insures Against	revenue loss due to low price, low yield, or combination of these	county-wide revenue loss	county-wide production loss	revenue loss due to low price, low yield, or combination of these	production loss	revenue loss due to low price, low yield, or combination of these
Administrative Fee	\$30	\$30	\$300 CAT \$30 additional	\$300 CAT \$30 additional	\$300 CAT \$30 additional	\$30
Available Unit Structure	basic/optional/ <sup>1</sup> enterprise	one unit per county	one unit per county	enterprise	basic/optional/ <sup>1</sup> enterprise/ <sup>2</sup> whole-farm	basic/optional/ <sup>2</sup> enterprise/ <sup>2</sup> whole-farm
Price Reference for Guarantee	higher of base price or harvest price	60%-100% of maximum dollar amount of protection based on expected price or higher of expected and harvest price if HRO elected	45% (CAT), or 60%-100% of maximum dollar amount of protection	projected price	price percentage elected by insured	projected price or higher of projected and harvest price if FHPO elected
Maximum Price Movement	downward: no limit upward: harvest price limited to 200% of base price	downward: no limit upward: harvest price limited to 200% of expected price	not applicable	none	not applicable	downward: no limit upward: fall harvest price limited to 200% of projected harvest price
Coverage Level Percent Available	50%, 55%, 60%, 65%, 70%, 75%, 80%, 85%	70%, 75%, 80%, 85%, 90%	70%, 75%, 80%, 85%, 90%	50%, 55%, 60%, 65%, 70%, 75%, 80%, 85%	50%, 55%, 60%, 65%, 70%, 75%, 80%, 85%	65%, 70%, 75%, 80%, 85%
APH	required	not required	not required	required	required	required
Acreage Report	required	required	required	required	required	required
Guarantee	final guarantee = higher of: 1) minimum guarantee (APH yield x level x base price); or 2) harvest guarantee (APH x yield x level x harvest price)	dollar amount of protection elected by insured x net acres	dollar amount of protection elected by insured x net acres	APH yield x level x projected price	APH yield x level	APH yield x level x projected harvest price or, if FHPO and it is greater than projected harvest price, then APH yield x level x fall harvest price
Rating	continuous individual yield rated	area yield rated	area yield rated	individual yield-span rated	continuous individual yield rated	continuous individual yield rated
Subsidy Amount	@ 50% coverage level = .67; 55-60% = .64; 65-70% = .59; 75% = .55; 80% = .48; 85% = .38	@ 70% coverage level = .59, 75-80% = .55; 85% = .49, 90% = .44	CAT = 1.00 @ 70-75% coverage level = .59; 80-85% = .55; 90% = .51	CAT = 1.00, @ 50% coverage level = .67; 55-60% = .64; 65-70% = .59; 75% = .55; 80% = .48; 85% = .38	CAT = 1.00 @ 50% coverage level = .67; 55-60% = .64; 65-70% = .59; 75% = .55; 80% = .48; 85% = .38	@ 65-70% coverage level = .59; 75% = .55; 80% = .48; 85% = .38
Enterprise & Whole-farm Unit Subsidy	<sup>1</sup> applicable where available	not applicable	not applicable	not applicable	<sup>1</sup> applicable where available	<sup>2</sup> applicable where available

<sup>1</sup>See the FCI-35 in the County Actuarial Documents to determine availability.  
<sup>2</sup>See the RMA Premium Calculator to determine availability.

	CRC	GRIP	GRP	IP	MPCI/APH	RA
Written Agreement	available, but restricted for optional units created across section lines or in oversized sections if the acreage is located in a high risk area	available	available	not available	available	available to alter rate
Written Agreement Amendment	applicable	not applicable	not applicable	not applicable	limited availability	not applicable
Premium	(1) approved yield x level x base rate x base price (2) approved yield x level x CRC base rate x CRC low price factor (3) approved yield x level x base rate x CRC high price factor (4) results of 1 + 2 + 3 (5) result of 4 x acres x share x applicable factor/surcharge (6) result of 5 x applicable producer subsidy percentage (7) result of 5 - result of 6	(policy protection x rate x 0.01) - subsidy	(policy protection x rate x 0.01) - subsidy	(1) approved yield x projected price x (acres x share) x applicable factor(s) (2) result of 1 x level (3) result of 2 x rate (4) result of 3 x subsidy (5) results of 3 - 4	(1) rate x liability x applicable factor(s) (2) result of 1 x subsidy (3) results of 1 - 2	calculated using automated premium calculator
Discounts for Good Experience	not applicable	not applicable	not applicable	not applicable	limited availability	not applicable
High-Risk Land	eligible for coverage	eligible for coverage	eligible for coverage	not eligible for coverage	eligible for coverage	eligible for coverage
High-Risk Land Exclusion	available	not available	not available	not available	available	available
Hail and Fire Exclusion	not available	not available	not available	not available	available	not available
Replanting Requirements	applicable	not applicable	not applicable	applicable	applicable	applicable
Replanting Payments	available	not available	not available	available	available	available
Late Planting Provisions	applicable	not applicable	not applicable	applicable	applicable	applicable
Prevented Planting Provisions	applicable	not applicable	not applicable	applicable	applicable	applicable
Notice of Loss	required	not required	not required	required	required	required
Loss Adjustment Procedure Required	yes	no	no	yes	yes	yes
Loss Due If	the calculated revenue (production to count x harvest price) is less than the final guarantee	the county revenue is less than the trigger revenue	the county yield is less than the trigger yield (expected county yield x level)	the revenue to count (production to count x harvest price) is less than the amount of protection	the production to count is less than the yield guarantee	the crop revenue (production to count x harvest price) is less than the guaranteed revenue