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Production Hail Crop Insurance With Multi Peril, CRC, RA Insurance

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Many producers like to buy a hail insurance policy in addition to a multi-peril policy on their crops. Hail insurance policies vary considerably in the way that the payout in the event of a loss is made. Typically, they pay a percent of the stated dollar amount of coverage per acre purchased. In recent years a new type of policy has been introduced that works as a companion with your multi-peril policy to provide excess coverage in the event of a hail loss.

Let's take a look at a Production Companion Hail policy as a companion to your Multi Peril (MPCI), Crop Revenue Coverage (CRC), or Revenue Assurance (RA) policy.

The purpose of a Production Companion Crop-Hail Insurance Plan is to cover, on a Multiple Peril Crop Insurance (MPCI), Crop Revenue Coverage (CRC), or Revenue Assurance (RA) policy (Unit) basis, the portion of the crop not insured under your MPCI, CRC, or RA policy, identified as the difference between the approved Actual Production History (APH) average yield and the selected MPCI, CRC, or RA level of coverage yield guarantee and to provide coverage for loss against the perils of Hail, fire and lightning, and transit coverage up to the insured limit selected. (See examples on next pages)

The Limit of Insurance shall be based on a 105%, 110%, 115% or 120% (varies by state) production guarantee equivalent to your approved APH yield, less the MPCI, CRC, or RA production guarantee for the Unit (Level of Coverage multiplied by your APH yield), multiplied by the Unit acreage, multiplied by the Price Election and your share in the crop(s).

Highlights of the Production Companion Hail policy are:

- Insuring bushels on entire unit, not acres like typical hail policy
- Coverage begins above your limit for your MPCI, CRC, or RA policy
- Insurance limit choices of 105%, 110%, 115% or 120% of your APH
- Bushels insured at Established Spring Base Price for your MPCI, CRC, or RA policy
- Loss adjustment is deferred to harvest and is based on actual harvested production from the unit
- Does not cover loss until loss equals a minimum of 5% , then payments begin from zero
- Must insure all units within a county on same plan (exception for non-irrigated & irrigated acres).
- Rates based on the Township the crop is grown in
- Cost effective protection

Benefits

A Production Companion Hail policy will insure you for more bushels than your historical Actual Production History (APH) and thus can add significant protection against loss for the perils of Hail, fire and lightning, and transit. The cost is typically less than purchasing similar levels of coverage using a typical hail policy. In addition, the payout is typically quicker than most crop hail policies. Thus, it has merit for consideration if you normally buy additional hail coverage on your crop or desire to protect more bushels against a hail loss.

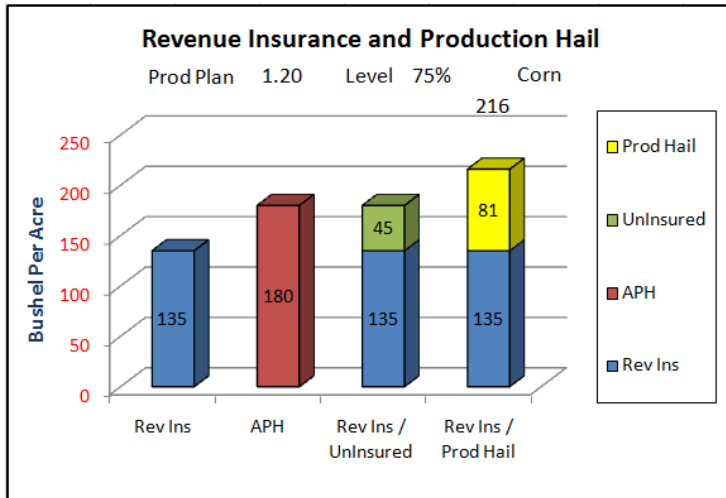
Cons

Must insure all units within a county on same plan, thus you can't pick and choose a field to insure and leave another uninsured. Must have same insurance plan/limits on all crops grown in the same county (exception for non-irrigated & irrigated acres).

On the following pages we will try to simplify how a Production Hail companion plan works using graphs and tables to illustrate examples. Consumers should read the policy and ask questions of their agent ensure they fully understand the policy. A change in actual yield may impact the Revenue Insurance coverage provided. The simplified examples do not take into account a change in the Revenue Insurance protection resulting in higher yields or higher fall prices.

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Corn example using Production Hail as a companion plan with a Revenue Insurance Product such as CRC or RA.



This graph illustrates a Production Hail Plan for Corn at the 1.20 rate used with revenue insurance at the 75% level with an APH of 180 bushels.

The revenue insurance provides coverage on 135 bushels and you then have 45 bushels of your APH uninsured.

The Production Hail Plan in this example provides coverage for 81 bushels for loss for the listed perils that includes Hail.

The total coverage provided between both plans is then 216 bushels. Production Hail loss payments per bushel use the established base price of the Revenue Insurance set at \$4.04 for the 2009 crop year.

Corn Coverage Matrix for Crop Hail & Production Hail with rates in Norfolk Township, Renville County, MN

	BASIC	CMP2+	DXS5	P-105-75	P-110-75	P-115-75	P-120-75
5%	5.00	5.00	-	38.38	40.00	42.02	43.63
10%	10.00	10.00	6.25	76.36	79.99	83.63	87.26
15%	15.00	20.00	12.50	114.74	119.99	125.24	130.90
20%	20.00	30.00	18.75	152.71	159.98	167.26	174.53
25%	29.00	48.00	29.00	218.16	231.90	242.40	252.90
32%	32.00	54.00	32.00	218.16	254.52	267.45	279.16
35%	35.00	60.00	35.00	218.16	254.52	290.88	305.42
38%	38.00	66.00	38.00	218.16	254.52	290.88	327.24
50%	50.00	90.00	50.00	218.16	254.52	290.88	327.24
55%	55.00	100.00	55.00	218.16	254.52	290.88	327.24
60%	60.00	100.00	60.00	218.16	254.52	290.88	327.24
70%	70.00	100.00	70.00	218.16	254.52	290.88	327.24
75%	77.50	100.00	77.50	218.16	254.52	290.88	327.24
80%	85.00	100.00	85.00	218.16	254.52	290.88	327.24
85%	92.50	100.00	92.50	218.16	254.52	290.88	327.24
90%	100.00	100.00	100.00	218.16	254.52	290.88	327.24
95%	100.00	100.00	100.00	218.16	254.52	290.88	327.24
100%	100.00	100.00	100.00	218.16	254.52	290.88	327.24
Coverage \$/Acre	\$100.00	\$100.00	\$100.00	\$218.16	\$254.52	\$290.88	\$327.24
Rate	\$1.60	\$2.30	\$1.30	\$0.90	\$0.90	\$1.00	\$1.00
Liability \$/Acre	\$100.00	\$100.00	\$100.00	\$218.16	\$254.52	\$290.88	\$327.24
Liability Total \$	\$10,000	\$10,000	\$10,000	\$21,816	\$25,452	\$29,088	\$32,724
Premium \$/Acre	\$1.60	\$2.30	\$1.30	\$1.96	\$2.29	\$2.91	\$3.27
Premium Total \$	\$160	\$230	\$130	\$196	\$229	\$291	\$327

The far left 3 columns in this table show the loss payable per 100 of coverage purchased for each respective Hail policy and the premium rates below.

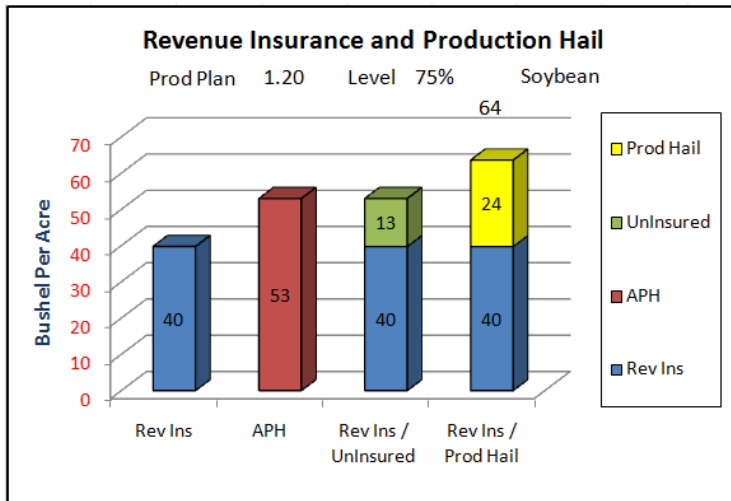
The right hand 4 columns are for the Production Hail Policies and show the loss payable in dollars per acre provided for each respective policy and the premium rates per below.

Let's compare the CMP2+ Hail policy and the P-110-75 Production Hail policy. Premiums are \$2.30 vs. \$2.29 respectively but the potential loss payable is significantly higher with the Production Hail policy at \$254.52 vs. \$100 for the CMP2+ Hail policy.

When added to Revenue Insurance with an APH of 180 at 75% protecting 135 bushels the 110 Production Hail plan covers a total of 198 bushels (180 x 1.10) compared to about 159 bushels by adding \$100 of hail (\$100 / 4.04 base = 24 bu.) with Revenue Insurance. The Production plan pays out quicker reaching 100% with only a 32% loss.

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Soybean example using Production Hail as a companion plan with a Revenue Insurance Product such as CRC or RA.



This graph illustrates a Production Hail Plan for Soybeans at the 1.20 rate used with revenue insurance at the 75% level with an APH of 53 bushels.

The revenue insurance provides coverage on 40 bushels and you then have 13 bushels of your APH uninsured.

The Production Hail Plan in this example provides coverage for 24 bushels for loss for the listed perils that includes Hail.

The total coverage provided between both plans is then 64 bushels. Production Hail loss payments per bushel use the established base price of the Revenue Insurance set at \$8.80 for the 2009 crop year.

Soybean Coverage Matrix for Crop Hail & Production Hail with rates in Norfolk Township, Renville County, MN

	BASIC	CMP2+	DXS5	P-105-75	P-110-75	P-115-75	P-120-75
5%	5.00	5.00	-	24.64	25.52	27.28	28.16
10%	10.00	10.00	6.25	49.28	51.04	53.68	56.32
15%	15.00	20.00	12.50	73.92	76.56	80.96	84.48
20%	20.00	30.00	18.75	98.56	102.08	107.36	112.64
30%	30.00	50.00	30.00	143.00	153.12	161.04	168.96
32%	32.00	54.00	32.00	143.00	160.60	171.60	180.40
35%	35.00	60.00	35.00	143.00	160.60	187.00	197.12
38%	38.00	66.00	38.00	143.00	160.60	187.00	213.40
50%	50.00	90.00	50.00	143.00	160.60	187.00	213.40
55%	55.00	100.00	55.00	143.00	160.60	187.00	213.40
60%	60.00	100.00	60.00	143.00	160.60	187.00	213.40
70%	70.00	100.00	70.00	143.00	160.60	187.00	213.40
75%	77.50	100.00	77.50	143.00	160.60	187.00	213.40
80%	85.00	100.00	85.00	143.00	160.60	187.00	213.40
85%	92.50	100.00	92.50	143.00	160.60	187.00	213.40
90%	100.00	100.00	100.00	143.00	160.60	187.00	213.40
95%	100.00	100.00	100.00	143.00	160.60	187.00	213.40
100%	100.00	100.00	100.00	143.00	160.60	187.00	213.40

	BASIC	CMP2+	DXS5	P-105-75	P-110-75	P-115-75	P-120-75
Coverage \$/Acre	\$100.00	\$100.00	\$100.00	\$143.00	\$160.60	\$187.00	\$213.40
Rate	\$6.50	\$9.90	\$5.80	\$3.50	\$3.60	\$4.00	\$4.20
Liability \$/Acre	\$100.00	\$100.00	\$100.00	\$143.00	\$160.60	\$187.00	\$213.40
Liability Total \$	\$10,000	\$10,000	\$10,000	\$14,300	\$16,060	\$18,700	\$21,340
Premium \$/Acre	\$6.50	\$9.90	\$5.80	\$5.00	\$5.78	\$7.48	\$8.96
Premium Total \$	\$650	\$990	\$580	\$500	\$578	\$748	\$896

The far left 3 columns in this table show the loss payable per 100 of coverage purchased for each respective Hail policy and the premium rates below.

The right hand 4 columns are for the Production Hail Policies and show the loss payable in dollars per acre provided for each respective policy and the premium rates per below.

Let's compare the CMP2+ Hail policy and the P-120-75 Production Hail policy. Premiums are \$9.90 vs. \$8.96 respectively but the potential loss payable is significantly higher with the Production Hail policy at \$213.40 vs. \$100 for the CMP2+ Hail policy.

When added to Revenue Insurance with an APH of 53 at 75% protecting 40 bushels the 120 Production Hail plan covers a total of 64 bushels (53 x 1.20) compared to about 51 bushels by adding \$100 of hail (\$100 / 8.80 base = 11 bu.) with Revenue Insurance. The Production plan pays out quicker and reaches 100% with only a 38% loss.

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