

2000 Coarse Grains - Crop Revenue Coverage (CRC) Underwriting Rules

- 1.** CRC calculates premiums charged annually for the insurance at the applicable CRC rates for the current crop year. The CRC premium is based upon the CRC Rate, CRC High Price Factor, CRC Low Price Factor, MPCl Base Rate, CRC Base Price, MPCl Market Price, and any other applicable factors found in the CRC and/or MPCl Actuarial Documents. It also includes the Application, Approved Yield, and an Acreage Report submitted by the insured to the insurance company. We will charge administrative fees on a crop and county basis. If a client insures the crop at the 50%, 55%, or 60% coverage level, then a fifty (\$50.00) dollar administrative fee will apply, not to exceed \$200 per county or \$600 for all counties. If a client insures the crop at a 65% or higher coverage level, then a twenty (\$20.00) dollar administrative fee will apply for each crop. The company will invoice the insured on a date specified in the Special Provisions of the Actuarial Document for the total actual premium and administrative fee(s).
- 2.** **CRC uses the CRC Premium Calculation Worksheet** to estimate the producer-paid premium for insurable crop acreage including written agreements that specify a base rate for the coverage level and a reduced high risk factor, if applicable.

Use the following procedures to estimate the producer-paid premium for insurable crop acreage when a written agreement specifies a high risk rate as a 75% coverage level combined rate that includes both the base rate and high risk factor.

1. The written agreement rate is divided by the 75% Base Premium Rate for the applicable R-Span. The result is the High Risk Map Area Adjustment Factor (item J on the CRC Premium Calculation Worksheet.)
 2. Enter the Base Premium Rate for the appropriate R-Span and coverage level in item C on the CRC Premium Calculation Worksheet.
 3. Calculate the CRC estimated premium using the CRC Premium Calculation Worksheet.
- 3.** The insured must submit a CRC application to the agent no later than the applicable sales closing date. The company must receive all timely dated applications within twenty (20) days of the sales closing date. The company will not accept and will return applications received more than twenty (20) days after the sales closing date. Clients requesting to change from other FCIC-subsidized coverage to CRC coverage must complete an application for CRC and attach a signed request to cancel the existing FCIC-subsidized coverage.
- 4.** The CRC policy is a continuous policy and provides coverage for the succeeding crop year unless canceled by a time specified in the policy.
- 5.** CRC serves as an alternative policy to other FCIC-subsidized coverages. Growers must insure all acreage of the specified crop in the county. High Risk Land designations are insurable under CRC and rated according to the methodology found herein. The insured does have the option of excluding any high risk ground from CRC coverage. This high risk ground may be insured with an MPCl CAT policy. The insured must complete a High Risk Exclusion form and CAT application for the high risk ground by the sales closing date. Agents must submit these documents to the company within twenty (20) days of sales closing.

6. Written agreements may apply to CRC for rating purposes.

The insured must request a written agreement to insure acreage in counties without CRC premium rates or to receive a premium rate reduction on land classified as high risk. Acreage in counties without CRC premium rates may be insured using written agreements only if the county without the CRC premium rate adjoins a county with a CRC premium rate for the applicable crop. The reinsured company will transmit the request to the appropriate RMA Regional Office (RO). To ensure the rates used are actuarially appropriate, the RO will determine, from the physical characteristics of the acreage, the farming practices to be used, the risks involved, and whether there is a similar situation in a county for which a CRC rate has been provided. If a similar situation exists in a county where a CRC rate is available, the insured can obtain insurance with that CRC premium rate. If a similar situation does not exist, the request for a written agreement will be denied.

The applicable crop specified in any written agreement must be eligible for CRC coverage.

Each written agreement will be valid only for one crop year. If a written agreement is not specifically renewed the following year, insurance coverage for subsequent crop years will be in accordance with the printed policy.

7. Written unit agreements may apply to CRC for unit division purposes.

The insured must request optional units by written agreement to create optional units across section lines or from oversized units. The reinsured company will determine whether the acreage is located in a high risk area and if so, the written agreement will be denied. The total acreage in the oversized section will be divided into parcels of not less than 640 acres each. Physical features such as canyons, lakes, rivers, mountains, or irrigated systems will be used to set the boundaries for the parcel. Each parcel will be considered to be a separate section for the purposes of determining optional units only. Such features must present a significant obstacle to farming and not be under the insured's control. Such written agreements must follow the guidelines for written unit agreements established by the Written Agreement Handbook (FCIC 24020).

8. The grower must report APH information by the earlier of forty-five (45) days after the cancellation date or the acreage reporting date to establish yield information and unit structure. The Special Provisions of the current crop year's Actuarial Document shows the applicable acreage reporting date.

9. CRC is an insurance program that guarantees a stated amount of revenue called the Final Guarantee. CRC covers revenue losses due to a low price, low yield, or any combination of the two. Since the protection of grower revenue is the primary objective of CRC, it contains provisions addressing both yield and price risks. Six key variables are Approved Yield, Coverage Level Percentage, Price Percentage, Base Price, Harvest Price, and Production to Count.

10. CRC's **Approved Yield** is the historical average amount of production per acre in the insured unit. It uses the farmer's production records or yields assigned by the Federal Crop Insurance Corporation (FCIC). We use at least four crop years of yields to obtain the Approved Yield.

11. The available CRC **Coverage Level Percentages** are 50%, 55%, 60%, 65%, 70%, 75%, 80%, and 85%. The Actuarial Documents identify the applicable crops and counties where the 80% and 85% options are available.

12. The CRC program offers **100%** of the Base Price and Harvest Price as the Price Percentage.
13. CRC defines the **Base Price** and **Harvest Price** for each coarse grains crop using the following methodology (*The Harvest Price IS NOT the price a producer receives for his crop at the local elevator*):

Corn (for Grain) - Chicago Board of Trade (CBOT) - Counties with a March 15 Cancellation Date:

Base Price (CBOT) - The February harvest year's average daily settlement price for the harvest year's CBOT December corn futures contract rounded to the nearest whole cent. The Base Price will be released as an actuarial document addendum by March 10 of the harvest year.

Harvest Price (CBOT) - The November harvest year's average daily settlement price for the harvest year's CBOT December corn futures contract rounded to the nearest whole cent. The Harvest Price cannot be less than the Base Price minus one dollar and fifty cents (\$1.50), or greater than the Base Price plus one dollar and fifty cents (\$1.50). The Harvest Price will be released as an actuarial document addendum by December 10 of the harvest year.

Corn (for Grain) - CBOT - Counties with a Cancellation Date prior to March 15:

Base Price (CBOT) - The December pre-harvest year's average daily settlement price for the harvest year's CBOT September corn futures contract rounded to the nearest whole cent. The Base Price will be released as an actuarial document addendum by January 10 of the harvest year.

Harvest Price (CBOT) - The August harvest year's average daily settlement price for the harvest year's CBOT September corn futures contract rounded to the nearest whole cent. The Harvest Price cannot be less than the Base Price minus one dollar and fifty cents (\$1.50), or greater than the Base Price plus one dollar and fifty cents (\$1.50). The Harvest Price will be released as an actuarial document addendum by September 10 of the harvest year.

Grain Sorghum (for Grain) - CBOT - Counties with a March 15 Cancellation Date:

Base Price (CBOT) - The Preliminary Grain Sorghum Base Price equals the February harvest year's average daily settlement price for the harvest year's CBOT December corn futures contract rounded to the nearest whole cent, multiplied times .95 and rounded to the nearest whole cent. The Base Price will be released as an actuarial document addendum by March 10 of the harvest year.

Harvest Price (CBOT) - The Preliminary Grain Sorghum Harvest Price equals the November harvest year's average daily settlement price for the harvest year's CBOT December corn futures contract rounded to the nearest whole cent, multiplied times .95 and rounded to the nearest whole cent. The Harvest Price cannot be less than the Base Price minus one dollar and fifty cents (\$1.50), or greater than the Base Price plus one dollar and fifty cents (\$1.50). The Harvest Price will be released as an actuarial document addendum by December 10 of the harvest year.

Grain Sorghum (for Grain) - CBOT - Counties with a Cancellation Date prior to March 15:

Base Price (CBOT) - The Preliminary Grain Sorghum Base Price equals the December pre-harvest year's average daily settlement price for the harvest year's CBOT September corn futures contract rounded to the nearest whole cent, multiplied times .95 and rounded to the nearest whole cent. The Base Price will be released as an actuarial document addendum by January 10 of the harvest year.

Harvest Price (CBOT) - The Preliminary Grain Sorghum Harvest Price equals the August harvest year's average daily settlement price for the harvest year's CBOT September corn futures contract rounded to the nearest whole cent, multiplied times .95 and rounded to the nearest whole cent. The Harvest Price cannot be less than the Base Price minus one dollar and fifty cents (\$1.50), or greater than the Base Price plus one dollar and fifty cents (\$1.50). The Harvest Price will be released as an actuarial document addendum by September 10 of the harvest year.

Soybeans - CBOT - Counties with a March 15 Cancellation Date:

Base Price (CBOT) - The February harvest year's average daily settlement price for the harvest year's CBOT November soybean futures contract rounded to the nearest whole cent. The Base Price will be released as an actuarial document addendum by March 10 of the harvest year.

Harvest Price (CBOT) - The October harvest year's average daily settlement price for the harvest year's CBOT November soybean futures contract rounded to the nearest whole cent. The Harvest Price cannot be less than the Base Price minus three dollars (\$3.00), or greater than the Base Price plus three dollars (\$3.00). The Harvest Price will be released as an actuarial document addendum by November 10 of the harvest year.

Soybeans - CBOT - Counties with a Cancellation Date prior to March 15:

Base Price (CBOT) - The December pre-harvest year's average daily settlement price for the harvest year's CBOT September soybean futures contract rounded to the nearest whole cent. The Base Price will be released as an actuarial document addendum by January 10 of the harvest year.

Harvest Price (CBOT) - The August harvest year's average daily settlement price for the harvest year's CBOT September soybean futures contract rounded to the nearest whole cent. The Harvest Price cannot be less than the Base Price minus three dollars (\$3.00), or greater than the Base Price plus three dollars (\$3.00). The Harvest Price will be released as an actuarial document addendum by September 10 of the harvest year.

14. CRC defines the **Final Guarantee** as the number of dollars guaranteed per acre. The Final Guarantee is the greater of the Minimum or Harvest Guarantees, defined as follows:

- (1) **Minimum Guarantee** - The Approved Yield per acre, multiplied by the Base Price, multiplied by the selected Coverage Level Percentage.
- (2) **Harvest Guarantee** - The Approved Yield per acre, multiplied by the Harvest Price, multiplied by the selected Coverage Level Percentage.

15. **Production to Count** equals harvested and appraised production from the insured acreage as outlined in the CRC Coarse Grains Crop Provisions. Production to Count also includes quality adjustments described in the CRC Coarse Grains Crop Provisions and special provisions.
16. CRC determines **Calculated Revenue** by multiplying the farmer's Production to Count for the unit times the Harvest Price. Remembering that Calculated Revenue uses the CRC Harvest Price and **not** the price a farmer might receive for the crop at the local elevator is very important. Calculated Revenue counts against the farmer's Final Guarantee in determining indemnity payments.
17. Growers may select Basic, Optional, or Enterprise Units based upon their farming operation.

A **Basic Unit** includes all insurable acreage of the insured crop in the county in which the grower has a 100% share **OR** that is owned by one entity and farmed by the grower on a share basis. For example, a grower may farm owned land in addition to rented land owned by five different landlords. Three of the renting arrangements are on a crop share basis. The other two renting arrangements are on a cash basis. Under these conditions, our example grower would have four Basic Units. One unit includes all acreage that the grower owns and rents on a cash basis. In addition, each of the three crop share renting arrangements forms a separate Basic Unit that includes the applicable acreage. Each of these Basic Units has its own Final Guarantee per acre and the grower must keep separate production records for each Basic Unit as a result.

A Basic Unit may be separated into **Optional Units** if the resulting Optional Units are found in different sections, section equivalents, or FSA farm serial numbers. Also, a Basic Unit may be separated into Optional Units by irrigated or non-irrigated practices. Any Optional Unit must have separate and verifiable production records because each Optional Unit has its own Final Guarantee per acre.

An **Enterprise Unit** consists of all insurable acreage of the insured crop in which the grower has a share in the county. The following restrictions apply to Enterprise Units:

- (1) The Enterprise Unit must contain 50 or more acres.
- (2) The acreage that comprises the Enterprise Unit must also qualify:
 - (a) For two or more Basic Units of the same insured crop that are located in two or more separate sections, section equivalents, or FSA farm serial numbers; **OR**
 - (b) For two or more Optional Units of the same insured crop established by separate sections, section equivalents, or FSA farm serial numbers.
- (3) The qualifying Basic Units or Optional Units that comprise the Enterprise Unit must each have insurable acreage of the same crop in the crop year insured.
- (4) The grower must comply with all reporting requirements and regulations for the Basic Units and/or Optional Units comprising the Enterprise Unit. More specifically, the grower may maintain and submit the same records as in the past. Those records must show that the grower qualifies for at least two Basic or Optional Units of the same insured crop as outlined above.
- (5) The grower must select the Enterprise Unit structure in writing by the sales closing date. Growers may do this in the "options" section of the CRC application or on a policy change form.
- (6) If a grower does not qualify for an Enterprise Unit when the acreage is reported, we will assign the Basic Unit structure.

- (7) If a grower selects and qualifies for an Enterprise Unit, then he will qualify for a premium discount based on the insured crop and number of acres in the Enterprise Unit. The Coarse Grains CRC Enterprise Unit Discount Factors are as follows:

These factors must be used in conjunction with a BUD (Basic Unit Discount) option factor to calculate the correct enterprise unit premium.

Acres	Corn Enterprise Unit Discount Factors
50 - 299	0.88
300 - 549	0.82
550+	0.76
Acres	Soybean Enterprise Unit Discount Factors
50 - 299	0.78
300 - 549	0.73
550+	0.69
Acres	Grain Sorghum Enterprise Unit Discount Factors
50 - 99	0.93
100 - 199	0.90
200+	0.89

- (8) If a grower selects the Enterprise Unit structure, then the Basic or Optional Units comprising the Enterprise Unit will retain separate Final Guarantees. Each acre within the Enterprise Unit will have the same Final Guarantee as it would have had under the Basic or Optional Unit structure. However, CRC pays losses at the Enterprise Unit level. For example, an Optional Unit within the Enterprise Unit may have a Calculated Revenue that is less than its Final Guarantee. CRC would pay this loss under the Optional Unit structure. However, under the Enterprise Unit structure, Calculated Revenue surpluses from the other Optional or Basic Units within the Enterprise Unit may offset this loss. The following example illustrates this fact:

Enterprise Unit 0100

Line	APH	Base Price	Harvest Price	Acres	C.V. Lev.	Final Guar.	Prod. To Count per Acre	Calc. Rev.	Share	Share Adj. Loss (+/-)
1	150 bu	\$2.70/bu	\$2.50/bu	200	.65	\$52,650	95 bu	\$47,500	1.00	\$5,150
2	145 bu	\$2.70/bu	\$2.50/bu	150	.65	\$38,171	120 bu	\$45,000	1.00	(\$6,829)
3	135 bu	\$2.70/bu	\$2.50/bu	125	.65	\$29,616	140 bu	\$43,750	0.50	(\$7,067)

Enterprise Unit 0100 is composed of two Optional Units (Lines 1 and 2) and one Basic Unit (Line 3) in the above example. As shown, Line 1 (Optional Unit 0101) has a share adjusted loss that equals **\$5,150**. Also, Lines 2 and 3 (Optional Unit 0102 and Basic Unit 0200 respectively) have shares adjusted losses that equal **-\$6,829** and **-\$7,067** respectively. More precisely, Lines 2 and 3 have *negative losses* or surpluses.

The two Optional Units and one Basic Unit become lines 1, 2, and 3 respectively within Enterprise Unit 0100. As stated before, those Lines retain the Final Guarantees that would have applied under the Optional or Basic Unit structure. However, CRC combines the share adjusted losses under the Enterprise Unit structure. As a result, Enterprise Unit 0100 has a net share adjusted loss that equals **-\$8,746** (the calculation is $+\$5,150 + -\$6,829 + -\$7,067$). A negative net share adjusted loss means that there would be no indemnity payment in this example. The farmer would receive no indemnity for Line 1's loss because of the offsetting surplus Calculated Revenues from Lines 2 and 3 applied under Enterprise Units.

- 18.** If an indemnity payment is due under a *CropRevenue* Coverage policy, then we will pay it as follows:

If we do not know the Harvest Guarantee at the time a **total loss** or **prevented planting loss** is determined, then we will pay losses in two segments.

- (1) First, we pay an initial indemnity based upon the Minimum Guarantee.
- (2) Second, once we know the Harvest Guarantee, we recalculate the indemnity payment and then pay any additional indemnity due. An additional indemnity payment is due if the Harvest Guarantee is greater than the Minimum Guarantee. We can only complete losses after the Harvest Price and Production to Count have been determined.

If we know the Harvest Guarantee at the time a loss is determined, then we will pay losses based upon the Final Guarantee. The Final Guarantee is the greater of the Minimum or Harvest Guarantees.

- 19.** Once FCIC releases a Harvest Price, the company may set a crop yield point for each insured unit that will trigger a revenue loss payment. The company may publish the methodology that calculates the *Trigger Yield* with an explanation of the proper procedures to follow for claim payment.
- 20.** The grower must submit a notice of expected revenue loss by forty-five (45) days after FCIC releases the Harvest Price. The grower must submit any resulting claim for indemnity by 60 days after FCIC releases the Harvest Price.
- 21.** CRC's **Late Planting** provisions cover acres of the insured crop that are planted during the late planting period. The late planting period begins the day after the final planting date for the insured crop and ends 25 days after the final planting date. The Final Guarantee for each acre planted to the insured crop during the late planting period will be

reduced by 1 percent per day for each day planted after the final planting date.

CRC's basic **Prevented Planting** coverage for prevented planting acreage equals 60 percent of the Final Guarantee for the acreage if it were timely planted. However, in return for an additional premium, the farmer may increase his prevented planting coverage as specified in the actuarial documents.

CRC offers **Replanting** coverage if the replanted acreage includes at least the lesser of 20 acres or 20 percent of the insured planted acreage for the entire unit. Also, the acreage must be damaged to the extent that the remaining stand will not produce at least 90 percent of the Minimum Guarantee for the affected acreage. The maximum replanting payment per acre is the lesser of 20 percent of the Minimum Guarantee for the affected acreage or:

- (1) For corn grain, 8 bushels multiplied by the Base Price, multiplied by the farmer's insured share;
- (2) For grain sorghum, 7 bushels multiplied by the Base Price, multiplied by the farmer's insured share;
- (3) For soybeans, 3 bushels multiplied by the Base Price, multiplied by the farmer's insured share.

22. Any grower eligible for MPCI coverage is eligible for CRC coverage subject to the additional items below:

- (1) The crop must be eligible for CRC coverage.
- (2) The insured crop must be found in states that we have included in our FCIC-approved Standard Reinsurance Agreement (SRA) for the CRC program.

23. CRC offers:

- (1) NO hail and fire exclusion.
- (2) NO discount for good experience. The company maintains all MPCI good experience discount records for each farmer and they apply again if the farmer selects MPCI in the future.

24. A grower can have other FCIC-subsidized coverage on crops not currently eligible for CRC and still carry CRC on crops that are eligible. These policies will have two prefixes (CRC & MP), but only one common number. Policies with only CRC crops will have a CRC prefix.

25. CRC bases premiums upon the Base Price and subsequent Minimum Guarantee. These premiums can only change if the company makes APH or acreage corrections.

26. Premiums for CRC are earned and payable when coverage begins. The company bills premiums for CRC on dates contained in the Actuarial Documents.

27. A grower must submit a separate CRC application for each county or all counties may be insured on one application if so designated.