United States Department of Agriculture
Risk Management Agency

March 2010

2010 COMMODITY INSURANCE FACT SHEET

Cotton Group Risk Income Plan

Texas

Group Risk Income Protection Plan (GRIP)

Group Risk Income Protection Plan (GRIP) is an area-based revenue insurance product that pays the insured in the event the county average per-acre revenue falls below the insured's "trigger revenue." GRIP is similar to GRP in that participation is driven by the relationship of individual yield to the county expected yield, except that price is added into the equation to place the focus on revenue.

Counties Available

Texas: There are several counties that offer GRIP cotton—consult your county actuarial.

Crop Insured

The crop insured will be all the **upland cotton:**

a) grown on insurable acreage in the county listed in the accepted application;
b) properly planted and reported by the acreage reporting date;
c) planted with the intent to be harvested; and
d) That is not (unless allowed by the Special Provisions or by written agreement);
  (1) Colored cotton lint;
  (2) Planted into an established grass or legume;
  (3) Interplanted with another spring planted crop;
  (4) Grown on acreage in which a hay crop was harvested in the same calendar year unless the acreage is irrigated; or
  (5) Grown on acreage on which a small grain crop reached the heading stage in the same calendar year unless the acreage is irrigated or adequate measures are taken to terminate the small grain crop prior to heading and less than 50% of the small grain plants reach the heading stage.

Important Dates

Sales Closing……………………………….March 15
Acreage Reporting…………………………….July 15

Tom Green County has 2/28 Sales Closing Date

Coverage Levels

Producers must choose one coverage level for each crop and county combination. The grower selects the dollar amount of protection per acre and one of five coverage levels (70, 75, 80, 85, or 90 percent) of the Federal Crop Insurance Corporation (FCIC) expected county revenue. Rather than selecting a production guarantee, the producer selects a dollar value of coverage per acre. Producers may select any dollar amount of protection between 60 and 100 percent of the maximum dollar amount of protection shown on the county actuarial documents.

Claims Procedure

All claims procedures will be handled by the insurance company. There is no notification of loss required by the insured. When the National Agricultural Statistics Service (NASS) releases its final county yield estimates, county revenues will be calculated and a determination will be made if an indemnity is due to the insured. The insured will be notified of these calculations and be paid if an indemnity is due. The insured certifies his/her loss by endorsing the payment check.

Loss (Indemnity) Payments

A GRIP indemnity payment will occur if the county revenue is less than the producer's trigger revenue based on the selected coverage level. Consider the following example:
The insured buys 85-percent coverage and selects $244 protection per acre on 200 acres; the policy protection is $48,800 ($244 X 200 acres). Expected county revenue is $271; therefore the insured's trigger

revenue is $230 (85 percent of $271).
If FCIC issues a county revenue of $225, the insured's payment calculation factor is 0.022 (($230 - 225) / 230). The indemnity payment of $1,074 is determined by multiplying the payment calculation factor by the amount of policy protection (0.022 X $48,800).

Harvest Revenue Option Endorsement

The GRIP harvest revenue option (HRO) endorsement is a supplemental endorsement to the GRIP basic provisions. The coverage offered under this GRIP-HRO endorsement is in addition to the coverage offered under the GRIP policy. In lieu of the coverage levels, the following applies: The GRIP-HRO trigger revenue shall be the result of multiplying the expected county yield by the greater of the expected price or the harvest price and by the coverage level percentage chosen. If the county revenue, published by FCIC for the insured crop year, falls below the GRIP-HRO trigger revenue, an indemnity is due. The premium for GRIP-HRO coverage will be calculated from the GRIP-HRO rate tables found in the GRIP actuarial documents.

Definitions

Please consult the GRIP crop provisions for specific county cancellation date for the following:

Cotton Expected Price— For counties with a cancellation date prior to February 28, the simple average of the December 15 pre-harvest year to January 14 of the harvest year's final daily settlement prices for the harvest year's New York Cotton Exchange (NYCE) October cotton futures contract. The base price will be released by January 24 of the harvest year. For counties with a cancellation date of February 28 and March 15, the simple average of the February harvest year's final daily settlement prices for the harvest year's NYCE December cotton futures contract. The base price will be released by February 24 of the harvest year.

Cotton Harvest Price— For counties with a cancellation date prior to February 28, the simple average of the September harvest year's final daily settlement prices for the harvest year's NYCE October cotton futures contract. The harvest price will be released by October 10 of the harvest year. For counties with a cancellation date of February 28 and March 15, the simple average of the November harvest year's final daily settlement prices for the harvest year's NYCE December cotton futures contract. The harvest price will be released by December 10 of the harvest year. The harvest price cannot be less than the base price minus seventy cents ($0.70), or greater than the base price plus seventy cents ($0.70).

Expected County Yield— The yield contained in the actuarial documents on which your coverage for the crop year is based. This yield is determined using historical NASS county average yields, as adjusted by FCIC.

Maximum protection per acre— The highest amount of protection specified in the actuarial documents.

Trigger Revenue— The result of multiplying the expected county revenue by the coverage level percentage chosen by the insured. When the county revenue falls below the trigger revenue, an indemnity is due.

Where to Purchase

All multi-peril crop insurance, including CAT coverage insurance policies, are available from private insurance agents. A list of crop insurance agents is available on the RMA Web site: http://www3.rma.usda.gov/tools/agents/

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