Group Risk Income Protection (GRIP)
Common Questions and Answers

1) Q: What is GRIP?

A: 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 the Group Risk Plan (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.

2) Q: What is the primary objective of GRIP?

A: The primary objective of GRIP is to provide protection against widespread losses in revenue. It provides a higher level of protection by combining a yield component with price volatility.

3) Q: Where did GRIP originate?

A: GRIP is a natural progression from the Group Risk Plan of Multiple Peril Crop Insurance. The addition of a price component to GRP to form a revenue guarantee was developed by Dr. Bruce Babcock and Dr. Dermot Hayes, Professors of Economics, Iowa State University. The idea was further developed to operational status by IGF Insurance Company in Des Moines, IA, in cooperation with Babcock and Hayes.

4) Q: How does GRIP differ from CRC, RA, IP and GRP?

A: GRIP is a GRP policy with a price component used to provide revenue protection. GRIP differs from CRC, RA, and IP in that it is designed to protect against widespread loss of revenue due to low county yields or crop prices based on a group or area concept. It does not protect individual producer revenues.

5) Q: How do premium rates compare across GRP, CRC, IP and GRIP?

A: GRIP premium rates will generally be substantially lower than CRC and IP because it protects against widespread losses in revenue. "Area" crop revenues per acre are generally less volatile than individual farm revenues per acre. The difference in premium between GRIP and GRP will depend on the coverage level, yield volatility, and the price volatility. GRIP may have a premium rate slightly lower than GRP, but in most cases, the additional risk of price overcompensates for the reduced risk of the "natural hedge" between price and yield, resulting in slightly higher rates for GRIP.

6) Q: What coverage levels are available with GRIP?

A: The coverage levels for GRIP are 70 to 90 percent in five percent increments (70%, 75%, 80%, 85%, 90%).

7) Q: What prices are used with GRIP and how are they determined?

A: Expected price is defined as the the simple average of the last five final daily settlement prices in February on the nearby Chicago Board of Trade (CBOT) December corn futures contract and the nearby November soybean futures contract for the current crop year.

Harvest price is defined as the simple average of the final closing daily settlement prices in November on the Chicago Board of Trade (CBOT) nearby December corn futures contract and in October on the Chicago Board of Trade nearby (CBOT) November soybean futures contract for the current crop year.

8) Q: How does GRIP determine an indemnity payment?

A: 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% 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% 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).

9) Q: When does GRIP make indemnity payment?

A: The company would pay for losses the next spring following harvest when NASS yields are released, in a manner similar to which GRP losses are paid.

10) Q: How is a premium charge calculated?

A: The insured must provide the desired coverage level and dollar amount of coverage to calculate premium. The premium is determined by multiplying the policy protection times the premium rate per hundred dollars of protection for your coverage level contained in the actuarial documents, by 0.01, and subtracting the applicable subsidy.

11) Q: Is GRIP eligible for a government premium subsidy?

A: Yes. Premium subsidy for GRIP will be equal to the GRP subsidy for the same county and crop. Premium subsidy for GRIP will be equal to the GRP subsidy for the same county, crop, and coverage level.

12) Q: What are the eligibility criteria for GRIP?

A: Only available for corn and soybeans in counties of Iowa, Illinois and Indiana where GRP is offered.

13) Q: How does GRIP handle Late Planting, Prevented Planting / Replanting losses?

A: GRIP does not cover late planting, prevented planting or replant losses because these apply to an individual farm and are not applicable to the group risk coverage. GRIP does use a planted yield trigger. Therefore, extensive late planting and replants, to the extent that they lower county yields per planted acre, may result in increased GRIP indemnity.

14) Q: Will there be any special reporting requirements for GRIP?

A: All the reporting requirements are the same as the MPCI GRP program.

15) Q: Can GRIP be purchased in addition to another MPCI policy?

A: Producers who purchase GRIP may not purchase another MPCI policy on the same crop in the same county. GRIP is an MPCI policy that serves as an alternative policy to APHP, GRP, CRC, IP and RA. It is not available in conjunction with another MPCI policy.

16) Q: Will GRIP be offered for high risk land policyholders?

A: GRIP may be purchased to cover high risk acreage the same as other planted acres.

17) Q: What options are applicable/available under GRIP?

A: There are no options available.

18) Q: What options are not applicable/available under GRIP?

A: There are no options available.

19) Q: When is premium due?

A: Premiums for GRIP are due on the same date as they would be for MPCI policies if they were in force.

20) Q: Are the forms used for GRIP different from those used for MPCI?

A: No.

21) Q: Is a GRIP application required for each county?

A: Yes. The policy coverage is provided on a county basis. Some application forms may allow multiple counties to be insured on one form.

22) Q: What is the latest sale closing date by which an insured may apply for GRIP?

A: All GRIP sales closing dates are the same as corresponding MPCI sales closing dates.

23) Q: Does GRIP require an acreage report?

A: Yes. The producer's eligibility for GRIP is based on a share or business interest in acreage properly planted to the insured crop by the acreage reporting date.

24) Q: Are written agreements available on GRIP?

A: Yes. The GRIP Corn Crop Provisions provide insurance for seed corn, popcorn, sweet corn, and other speciality corn by written agreement. Written agreements are normally not allowed for pilot programs in order to minimize risk and maximize data collection accuracy. However, since GRIP is an area-based insurance product, allowing coverage of these crops by written agreement will not adversely affect risk or data collection.

25) Q: Is GRIP a continuous policy?

A: Yes, for the length of the pilot and longer if renewed.

26) Q: Can optional unit coverage be purchased under GRIP?

A: No. Optional units in a single county would not benefit an insured because all units would have the same trigger revenue and indemnity calculation factor.