Revenue Assurance

Description of Coverage and Side-by-Side Comparison with Competing Revenue Products

I. INTRODUCTION

The Farm Bureau Mutual Insurance Company (Iowa Farm Bureau) developed Revenue Assurance (RA) at the request of elected member representatives. RA is now administered by American Farm Bureau Insurance Services, Inc. RA protects a producer's crop revenue whenever low prices or low yields, or a combination of both, cause the crop revenue to fall below the guaranteed revenue level. RA is available for basic units, optional units, enterprise units, and whole-farm units.

II. DESCRIPTION OF COVERAGE

The coverage and exclusions of RA are similar to those for the standard Multiple Peril Crop Insurance (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.

Revenue Assurance has available the fall harvest price option, which uses the greater of the fall harvest price or the projected harvest price to determine the per-acre revenue guarantee.

The producer must select a coverage level percent. The minimum allowable coverage level is 65 percent and the maximum allowable is 85 percent for basic, optional, whole-farm and enterprise units.

Projected harvest price - This price is used to determine the expected per-acre revenue and calculate premium.

- **For canola**, the projected harvest price is the simple average of the final daily settlement prices in February for the Winnipeg Commodity Exchange (WCE) November canola futures contract divided by 2,205. This factor converts the WCE price from Canadian dollars per metric ton to Canadian dollars per pound. To convert into U.S. dollars multiply the price in Canadian dollars per pound by the simple average of the final daily settlement prices in February on the September Canadian dollar futures contract on the Chicago Mercantile Exchange (CME).
- **For corn in all covered states with a Cancellation Date prior to March 15th**, the projected harvest price is the simple average of the final daily settlement prices for the first ten trading days in February for the Chicago Board of Trade (CBOT) December corn futures contract.
- **For corn in all covered states with a March 15th Cancellation Date**, the projected harvest price is the simple average of the final daily settlement prices in February for the CBOT December corn futures contract.
- **For cotton in all covered states** the projected harvest price is the January 15 to February 14 harvest year's average daily settlement price for the New York Cotton Exchange (NYCE) December cotton futures contract rounded to the nearest whole cent.
- **For feed barley**, the projected harvest price is the simple average of the final daily settlement prices in February for the WCE October feed barley futures contract multiplied by 0.02177. This factor converts the WCE price from Canadian dollars per metric ton to Canadian dollars per bushel. To convert into U.S. dollars multiply the price in Canadian dollars per bushel by the simple average of the final daily settlement prices in February on the September Canadian dollar futures contract on the CME.
- **For malting barley**, the additional price guarantee is based on the price specified under a malting barley contract minus the feed barley projected harvest price, or the premium price for malting barley above a feed barley price based on a futures market price or a future reference price for feed barley, specified in the contract or price agreement, or a variable premium price option that is selected by the grower, or as specified in the actuarial documents. The additional price will not exceed $1.25 per bushel for Option A or $2.00 per bushel for Option B.
- **For rice in all covered states** the projected harvest price is the January harvest year's average daily settlement price per pound for the harvest year's CBOT November rough rice futures contract rounded to the nearest one-tenth (1/10th) of a cent.
- **For soybeans in all covered states with a Cancellation Date prior to March 15th**, the projected harvest price is the simple average of the final daily settlement prices for the first ten trading days in February for the CBOT November soybean futures contract.

- **For soybeans in all covered states with a March 15th Cancellation Date**, the projected harvest price is the simple average of the final daily settlement prices in February for the CBOT November soybean futures contract.
- **For sunflowers**, the projected harvest price is the simple average of the final daily settlement prices in February for the CBOT October soybean oil futures contract divided by two, then subtract one.
- **For spring wheat**, the projected harvest price is the simple average of the final daily settlement prices in February for the Minneapolis Grain Exchange (MGE) September hard red spring wheat futures contract. The spring wheat price is used for durum and Khorasan wheat.
- **For winter wheat** in Idaho, Indiana, Kentucky, Michigan, Ohio and Tennessee, the projected harvest price is the simple average of the final daily settlement prices from August 15 to September 14 for the following year CBOT July soft red winter wheat futures contract. For winter wheat in Arkansas, Colorado, Iowa, Kansas, Missouri, Montana, Nebraska, Oklahoma and South Dakota, the projected harvest price is the simple average of the final daily settlement prices from August 15 to September 14 for the following year Kansas City Board of Trade (KCBT) July hard red winter wheat futures contract.

The prevented planting payment is based on the per-acre revenue guarantee.

Crop revenues are measured by multiplying the production to count on the insured unit by the fall harvest price.

- For canola, the fall harvest price is the simple average of the final daily settlement prices in September for the WCE November canola futures contract divided by 2,205. This factor converts the WCE price from Canadian dollars per metric ton to Canadian dollars per pound. To convert into U.S. dollars multiply the price in Canadian dollars per pound by the simple average of the final daily settlement prices in September on the September Canadian dollar futures contract on the CME.
- For corn, the fall harvest price is the simple average of the final daily settlement prices in November for the CBOT December corn futures contract.
- For cotton, the fall harvest price is the simple average of the final daily settlement prices in November for the harvest year's NYCE December cotton futures rounded to the nearest whole cent.
- For feed barley, the fall harvest price is the simple average of the final daily settlement prices in August for the WCE October feed barley futures contract multiplied by 0.02177. This factor converts the WCE price from Canadian dollars per metric ton to Canadian dollars per bushel. To convert into U.S. dollars, multiply the price in Canadian dollars per bushel by the simple average of the final daily settlement prices in August on the September Canadian dollar futures contract on the CME.
- For malting barley, claims are made based on yield and quality losses. No payments are made based on a reduction in the market price of malting barley.
- For rice, the fall harvest price is the October harvest year's average daily settlement price per pound for the harvest year's CBOT November rough rice futures contract rounded to the nearest one-tenth (1/10th) of a cent.
- For soybeans, the fall harvest price is the simple average of the final daily settlement prices in October for the CBOT November soybean futures contract.
- For sunflowers, the fall harvest price is the simple average of the final daily settlement prices in September for the CBOT October soybean oil futures contract divided by two, then subtract one.
- For spring wheat, the fall harvest price is the simple average of the final daily settlement prices in August for the MGE September hard red spring wheat futures contract.
- For winter wheat in Idaho, Indiana, Kentucky, Michigan, Ohio and Tennessee, the fall harvest price is the simple average of the final daily settlement prices from July 1 to July 14 for the CBOT July soft red winter wheat futures contract. For winter wheat in Arkansas, Colorado, Iowa, Kansas, Missouri, Montana, Nebraska, Oklahoma and South Dakota, the fall harvest price is the simple average of the final daily settlement prices from July 1 to July 14 for the KCBT July hard red winter wheat futures contract.

The fall harvest price will be released by August 5 for winter wheat, September 5 for feed barley and spring wheat, October 5 for sunflowers and canola, November 5 for soybeans, November 10 for rice, December 5 for corn, and December 10 for cotton.

Indemnity payments for producers choosing the whole-farm unit will be made if the revenue (crop production to count times the crop fall harvest price times the respective share) at harvest from covered crops is less than the whole-farm revenue guarantee. (To qualify for a whole-farm unit, the producer must have RA insurance coverage on all of the insurable acres of the above spring crops that the producer plants in the applicable state.) A whole-farm unit is not available for winter wheat.

Replant payments will be made after the crop has been replanted and will be based on the projected harvest price.

III. COVERED AND EXCLUDED EVENTS

The RA policy provides insurance protection for loss of revenue due to unavoidable causes of loss, due to a natural disaster or a decline in crop prices or a combination of both.

IV. MARKET AVAILABILITY

Revenue Assurance is available on the following crops in the following states:

State	Feed Barley	Malting Barley	Canola/ Rapeseed	Corn	Cotton	Rice	Soybeans	Sunflowers	Spring Wheat	Winter Wheat
Arizona					x					
Arkansas				x	x	x	x			x
Colorado	x	x		x			x	x	x	x
Idaho	x	x	x						x	x
Illinois				x			x			
Indiana				x			x			x
Iowa				x			x		x	x
Kansas				x			x	x		x
Kentucky				x			x			x
Louisiana				x	x	x	x			
Michigan				x			x			x
Minnesota	x	x	x	x			x	x	x	
Missouri				x			x			x
Montana	x	x						x	x	x
Nebraska				x			x			x
New Mexico					x					
North Carolina				x			x			
North Dakota	x		x	x			x	x	x	
Ohio				x			x			x
Oklahoma				x	x		x			x
South Dakota	x	x		x			x	x	x	x
Tennessee				x			x			x
Virginia				x			x			

V. SIDE BY SIDE COVERAGE COMPARISON

Feature	Crop Revenue Coverage (CRC)	Income Protection (IP)	Revenue Assurance (RA)
Unit structure	Basic, Optional, and Enterprise.	Enterprise unit (all acreage of the insured crop in the county in which the insured has an interest).	Basic, optional, enterprise, and whole-farm. Whole-farm coverage includes all of the spring RA crops in the county in which the insured has an interest. Whole-farm unit does not extend to winter wheat.
Price reference for insurance guarantee	100 percent of the applicable base or harvest price (see Crop Provisions). Insurance guarantee may increase during the insurance period.	100 percent of projected price (see Crop Provisions).	100 percent of the CBOT/MGE/WCE/CME/KCBT/NYCE projected price (see Crop Provisions). Insurance guarantee may increase during the insurance period with fall harvest price option in effect.
Maximum upward price movement for insurance guarantee	$1.50 per bushel for corn and grain sorghum, $3.00 per bushel for soybeans, $2.00 per bushel for wheat, $0.05 per pound for rice, and $0.70 per pound for cotton.	Not applicable.	None.
Coverage level percents	50 - 75 percent in 5 percent increments. 50 - 85 percent for certain crops in selected counties.	50 - 75 percent in 5 percent increments. 50 - 85 percent for certain crops in selected counties.	65 - 85 percent in 5 percent increments for basic, optional, whole-farm and enterprise units (For basic and optional units, 80-85 percent is only available in counties and on crops where MPCI allows 80-85 percent and is not available on cotton).
Basis for insurance guarantee	Higher of: 1) minimum guarantee (APH yield x coverage level x base price x price percentage); or 2) harvest guarantee (APH yield x coverage level x harvest price x price percentage). Insurance guarantee may increase during the insurance period.	APH yield x coverage level x projected price (spring commodity price).	APH yield x coverage level x projected harvest price. If fall harvest price option selected and fall harvest price is greater than projected harvest price: APH yield x coverage level x fall harvest price.
Rating	APH base rate x CRC base rate factor x low price factor x high price factor.	New rating model incorporating yield and price variability.	New rating model where yield variability is based on APH rates, and price variability based on CBOT/MGE/WCE/CME/KCBT/NYCE options contracts.
Eligibility for insureds with special rating: High-Risk Land	 Eligible for coverage.	 Not eligible for coverage.	 Eligible for coverage.
Hail and fire exclusion	Not available.	Not available.	Not available.