Pasture, Rangeland, Forage Rainfall Index Plan of Insurance

This presentation does not replace or supersede any procedures or modify any provisions contained in the complete insurance policy.
Introduction and Program Overview

Introduction and Overview
Science Behind the Program
Program Basics
Detailed Example
Additional Tools and Information
Program Overview Purpose

- The intent of this section:
  - Introduction to program and unique topics
  - Provide background and basic philosophy

- Details of the program provided in following sections
History

- The Agricultural Risk Protection Act of 2000 (ARPA) mandates programs to cover pasture and rangeland
- Two new pilot programs approved for 2007 Crop Year
  - Pasture, Rangeland, Forage (PRF) – Rainfall Index
    - Covered in this training
  - Pasture, Rangeland, Forage (PRF) – Vegetation Index
Introduction

- Beginning with the 2007 Crop Year
## Program Potential

- Estimated acres covered by pilot

<table>
<thead>
<tr>
<th>State</th>
<th>Grazingland Acres</th>
<th>Hayland Acres</th>
</tr>
</thead>
<tbody>
<tr>
<td>Colorado</td>
<td>14,734,538</td>
<td>506,260</td>
</tr>
<tr>
<td>Idaho</td>
<td>4,347,110</td>
<td>591,918</td>
</tr>
<tr>
<td>North Dakota</td>
<td>11,806,699</td>
<td>1,318,789</td>
</tr>
<tr>
<td>Pennsylvania</td>
<td>471,656</td>
<td>517,522</td>
</tr>
<tr>
<td>South Carolina</td>
<td>760,193</td>
<td>191,801</td>
</tr>
<tr>
<td>Texas</td>
<td>62,905,239</td>
<td>1,372,929</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>95,025,435</strong></td>
<td><strong>4,499,219</strong></td>
</tr>
</tbody>
</table>

Source: 2002 Census of Agriculture for grazingland and Hayland plus 1997 Census of Agriculture data for Grazing Permit Acres for the County Data
## Program Potential

- Estimated program potential –
  (assume participation 10%, Coverage Level 75% . . .)

<table>
<thead>
<tr>
<th>State</th>
<th>Estimated Average Rate</th>
<th>Estimated Premium Volume</th>
</tr>
</thead>
<tbody>
<tr>
<td>Colorado</td>
<td>14.0%</td>
<td>$3,977,019</td>
</tr>
<tr>
<td>Idaho</td>
<td>14.4%</td>
<td>$3,992,180</td>
</tr>
<tr>
<td>North Dakota</td>
<td>13.6%</td>
<td>$3,296,159</td>
</tr>
<tr>
<td>Pennsylvania</td>
<td>4.4%</td>
<td>$846,801</td>
</tr>
<tr>
<td>South Carolina</td>
<td>7.4%</td>
<td>$507,825</td>
</tr>
<tr>
<td>Texas</td>
<td>18.4%</td>
<td>$18,146,679</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>$30,766,663</strong></td>
</tr>
</tbody>
</table>

Source: 2002 Census of Agriculture for grazingland and Hayland plus 1997 Census of Agriculture data for Grazing Permit Acres for the County Data
Challenges

- Crop challenges
  - Various plant species
  - Timing of plant growth
  - Crop continuously harvested via livestock
  - Lack of individual/industry data
  - Vast range of management practices across the industry
  - Publicly announced prices not available
Crop Information

- **Crop**
  - (0088) Pasture, Rangeland, Forage

- **Crop Types**
  - (064) Grazingland
  - (063) Hayland
Crop Types

- Grazingland
  - Established acreage of perennial forage
  - Intended for grazing by livestock
  - Acreage must be suitable for grazing
Crop Types

- Hayland
  - Established acreage of perennial forage
  - Intended for haying
  - Acreage must be suitable for haying
    - Program covers all types of grazing and haying forage (i.e. not just for alfalfa)
Program Overview

- **GRP program**
  - Goal – utilize an existing policy type
    - Capitalize on current program familiarity
    - Increase marketability and effectiveness
  - The resulting design is based on the principals of the existing GRP program
Program Overview

- Index background

- Lack of actual producer/industry production data
- No consistent and sound methodology for measuring production for the crop
- The deviation from long-term normal precipitation is used to establish the index
  - SINGLE PERIL COVERAGE
- Precipitation has a high degree of correlation to forage production
Program Overview

- Index driven – NOAA data
  - Primary index difference
    - Based on NOAA data vs. NASS county yields
  - Reports precipitation data
  - Widely used source of precipitation information
  - Dependable source
  - Long data history – since 1948
  - Consistent and universal coverage through a grid system
    - Grid boundaries vs. county boundaries
Program Overview

- Area of insurance = 0.25° grids
Program Overview

- Area of insurance = 0.25° grids
  - Grids vs. County
  - Grids are approximately 12 x 12 miles in size
  - Provides for a consistent program across the United States
  - Counties vary in size, but the grids do not
  - Grid size reduces basis risk vs. county size
    - Allows for closer correlation to individual experience
  - Grids will cross county and state lines
Program Overview

- **Index Intervals**
  - Multiple intervals offered – 6
  - Crop year divided into 6, 2-month intervals for each grid
  - Similar to Crop Practices
  - Ability for producers to manage appropriate timing risks
    - Correlate to individual growth patterns and production seasons
  - The 2-month intervals provide for greater reaction to precipitation events vs. a yearly average
Program Overview

- Index Intervals

Crop Year

12 months
Begins February 1st
Program Overview

- Index Intervals

Intervals
6, 2 month

Crop Year
12 months
Begins February 1st

Note: Actual dates discussed in Program Basics
Program Overview

- **Index Intervals**

  - Intervals
    - 6, 2 month

  ![Interval Diagram]

  - These Intervals act as ‘mini-insurance periods’
    - For example, indemnities payable on one Interval are not dependent on results from other Intervals
Program Overview

- **Index Intervals**
  - Minimizes dependency on subjective pre-determined forage growing seasons
  - Maintains consistency across the country
    - Allows for regional and local variances
    - Allows individual freedom to select appropriate intervals
  - Index intervals are mutually exclusive
    - One index does not effect the others
    - All rated separately
Program Overview

- **Index Intervals**
  - Producers must select at least 2 intervals
    - The purpose of the program is to insure annual forage production
      - Total annual forage production is influenced by precipitation in more than one 2-month interval; therefore, producers are required to insure in more than one interval

  Maximum percentages are region specific
  - Based on growing season (50 – 70%)
Program Overview

- **Coverage Levels**
  - Percentages available: 90, 85, 80, 75, and 70
  - Consistent with other GRP programs
  - Higher coverage levels reduce basis risk
    - Correlates closer to individual experience

- **Catastrophic Risk Protection (CAT)**
  - Not currently available
  - Producers are still eligible for NAP coverage
Program Overview

- **Rating**
  - Each grid, index interval, and coverage level is individually rated
  - Minimizes adverse selection
    - No economic advantage of insuring in one scenario vs. another
    - Encourages producers to select a scenario that best mitigates their operation/production risks
  - Adequate data permits the individual rating
    - Allowing the rates to accurately reflect the risks of each scenario
Program Overview

- Not required to insure 100% of acreage
  - Forage utilized in the annual grazing or hay cycle can be insured without insuring all acreage
  - All acres within a property may not be productive, e.g., rocky areas, submerged areas
  - Provides additional flexibility for the insured to design the coverage to his specific needs
  - Because the program is a group program and other programs are not available, there is no opportunity to ‘move’ production
Program Overview

- Sales Closing Date: November 30
  - Only one Sales Closing per year

- Consistent with other programs’ SCD

- Minimizes possible forecasting and program abuse
  - 60 day lag to the crop year

- Note: This is a change from earlier versions of the policy sent to the companies (originally set in October) – but was changed due to company feedback
Program Overview

- Program supported via internet
  - Provides the most efficient and effective way to deliver the program
  - Allows access to the mapping tools
    - Locate grazing areas and associated Grid ID numbers
  - Provides access to the historical rainfall indices
  - Allows access to all relevant data, materials, and tools associated with the program
Advantages

- Flexibility
- Covers predominant peril
- Provides for timely indemnities
- Index intervals are mutually exclusive
- Individual loss adjustments not needed
- Easily understood Index
- Production records not required
- Moral hazard and adverse selection minimized
Disadvantages

- Individual losses/experiences not covered
- Slight terminology differences from other GRP programs
Questions
Science and Technology
Behind the Program
Crop Biology

- The program addresses forage-based production systems on land areas producing primarily perennial vegetation

- Comprised of diverse plant communities and mixtures:
  - Perennial and annual
  - Warm season and cool season
  - Different growth habits over extended time periods
Crop Biology

- Forage may be harvested directly by grazing animals, harvested for hay, or a combination of both:
  - Continual harvest and/or single haying

- Capacity to live and reproduce from year to year

- Because of the nature of forage-based systems, the program is designed to insure annual production
Program Technology

- Precipitation is highly correlated with forage production, but does not directly predict actual forage production

- Index starts accumulating on the first day of the specified interval through the last day of the same interval
  - Influence of extreme precipitation events is effectively reduced
  - At the end of each 2-month interval the percent of normal is calculated
Program Technology

- Daily historical data since 1948
- Data updated daily
- Data is interpolated by NOAA into weather grids nationwide
  - \(~12 \times 12\) miles in size (0.25° data), and used in many other national programs
Grid Example for North Dakota
Questions
Program Basics
Terminology and Other Differences

- Grid and Grid ID in addition to County
- Insurable and Insured acres versus Planted acres
- Index versus Yields
- Web based
- No current CAT coverage
- Not required to insure 100% of acres
- Must select two Index Intervals
- Grid IDs, crop types, acreage, and Index Intervals will be determined prior to the Sales Closing Date
Basic Definitions

- **County**: may also include any acreage within a grid ID that crosses an adjoining county or state line where the acreage is contiguous.
Basic Definitions

- **Insurable Acreage**: Hayland and grazingland that is not planted annually
- Overseeding into acreage of existing forage crops is acceptable
- Annually planted crops currently not insurable
- Insurable acres will consist of the total number of acres suitable for insurance under these crop provisions
- Includes both insured acres and uninsured acres
Basic Definitions

- **Insured Acres**: The number of insurable acres selected to be insured by a producer
  - May choose to insure either Grazingland, Hayland, or both
  - Not required to insure 100% of the crop type(s)
  - If the insured chooses to insure the crop types under this policy they cannot insure the same crop under any other FCIC subsidized program
Basic Definitions

- **Unit:** The insured acres within or assigned to a grid ID for each crop type, and index interval
  - If there are multiple Grid IDs on a policy the index values are not added together, each unit and crop stands on its own
  - Basic Units only – no basic unit discount
Basic Definitions

- **County Base Value**: established production value of grazingland and hayland forage
  - Only one value per county for each crop type
  - Does not include GRP 1.5 multiplier

- **Productivity Factor**: A percentage multiplier allowing the insured to individualize coverage based on their individual crop productivity
  - Insured selects between 60 and 150%
    - Concept is the same as ‘price election’ in other GRP policies
    - Only one productivity factor may be selected per county and crop type
Basic Definitions

- **Dollar Amount of Protection per Acre:** The county base value (CBV) per acre, multiplied by the productivity factor (PF) (60% - 150%), multiplied by the coverage level (CL) (70% - 90%)

**EXAMPLE:**

$17.65 \times 1.20 \times 0.85 = \$18.00$ per Acre

- **Only one** dollar amount of protection per acre for each county and crop type
Basic Definitions

- **Policy Protection per Unit:** Dollar amount of protection per acre, multiplied by the insured acres, multiplied by the producer’s share of the unit for each grid

**EXAMPLE:**

- $\text{Amount of Protection/\text{ac}} = 18.00$, \text{Insured Acres} = 1,000, \text{Share} = 100\%$, 50\% Interval II, 50\% Interval III

  \[ \text{For:} \]
  
  - Index Interval II:  $18.00 \times 500 \text{ ac} \times 100\% \text{ (share)} = 9,000$
  
  - Index Interval III:  $18.00 \times 500 \text{ ac} \times 100\% \text{ (share)} = 9,000$

- **Policy Protection:** The sum of the policy protection per units ($18,000$)
Program Dates

- **Crop Year:** February 01 – January 31
- **Sales Closing Date:** November 30 (crop type, dollar amount of protection per acre, coverage, Grid ID, index intervals, and items relevant to acreage report)
- **Acreage Reporting Date:** November 30
- **Contract Change Date:** August 31
- **Premium Billing Date:** October 01
Program Dates

- **08/31** Contract Change
- **11/30** Sales Closing / Acreage Reporting
- **02/01** Start of Crop Year
- **10/01** Premium Billing
- **01/31** End of Crop Year
Coverage

- **CAT**
  - Coverage currently not available

- **Coverage Levels**
  - 70, 75, 80, 85, or 90%
  - only one coverage level for each of the insured crop types in the county
  - Consistent with other GRP RBUP
Index Intervals

- **Index Interval**: a specified period of time in which precipitation data is collected resulting in a grid index
  - Producer can insure in any interval
    - Can insure in 2, 3, 4, 5, or all 6 intervals – or any combination
  - Minimum insurance = 10% in any chosen interval
  - Maximum insurance
    - Producer must insure in at least 2 intervals
    - Maximum percentage allowed located in SPOI (ranges 50-70%)
    - Maximum percentage determined primarily by number of frost free dates/growing season
## Index Intervals

<table>
<thead>
<tr>
<th>INDEX INTERVALS</th>
<th>START DATE</th>
<th>END DATE</th>
</tr>
</thead>
<tbody>
<tr>
<td>(221) Index Interval I</td>
<td>February 1</td>
<td>March 31</td>
</tr>
<tr>
<td>(222) Index Interval II</td>
<td>April 1</td>
<td>May 31</td>
</tr>
<tr>
<td>(223) Index Interval III</td>
<td>June 1</td>
<td>July 31</td>
</tr>
<tr>
<td>(224) Index Interval IV</td>
<td>August 1</td>
<td>September 30</td>
</tr>
<tr>
<td>(225) Index Interval V</td>
<td>October 1</td>
<td>November 30</td>
</tr>
<tr>
<td>(226) Index Interval VI</td>
<td>December 1</td>
<td>January 31</td>
</tr>
</tbody>
</table>

![Diagram of Index Intervals]

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Index Definitions

- **Expected Grid Index**: Based on the historical mean accumulated precipitation by Index Interval, expressed as a percentage; $\text{EGI} = 100$

- **Trigger Grid Index**: The selected coverage level multiplied by the Expected Grid Index
  - *i.e.* - Coverage Level = 85; then Trigger Grid Index = 85
  - If the final grid index falls below the trigger grid index, the insured may be due an indemnity

- **Final Grid Index**: Based on the current accumulated precipitation data for each Index Interval
  - If current data represents a 40% reduction, then $\text{FGI} = 60$
Rates and Premiums

- Premium Rate is applied to each Unit
  - All units independently rated
  - Each Grid ID, Crop Type, Coverage Level, and Index Interval
  - Minimizes adverse selection

- Premium/unit (Index Interval) = $ amount of protection/acre
  \[ \times \text{number of insured acres/unit} \]
  \[ \times \text{premium rate} \]
  \[ \times \text{adjustment factor of 0.01} \]
  \[ \times \text{share} \]
Rates and Premiums

- **Premium subsidy per unit** =
  
  Premium per unit \times \text{subsidy rate}

- **Producer premium per unit** =
  
  Premium per unit – Premium subsidy per unit
Rates and Premiums

- **Total Policy Premium:**
  - The sum of all “premium per unit” values for the policy

- **Total Subsidy:**
  - The sum of all “premium subsidy per unit” values for the policy

- **Total Producer Premium:**
  - The sum of all “producer premium per unit” values for the policy
Trigger and Indemnity

- **Payment Calculation Factor:**
  - Consistent with other GRP Programs
  - \(\frac{(\text{Trigger Grid Index} - \text{Final Grid Index})}{\text{Trigger Grid Index}}\) for each Unit
  - An indemnity may be made only if the Final Grid Index is less than the Trigger Grid Index
  - If indemnity is due, it will be issued not later than 60 days following the determination of the Final Grid Index
  - Indemnity =
    - Payment Calculation Factor \(\times\) Policy Protection/Unit
Trigger and Indemnity Example

**EXAMPLE:**

Trigger Grid Index (Coverage Level) = 85

Final Grid Index: Interval II = 90, Interval III = 60

Payment Calculation Factor =

Index Interval II: \((85 - 90)/85\) = No indemnity due \((90 > TGI)\)

Index Interval III: \((85 - 60)/85\) = 0.294

Total Indemnity = $2,646

Index Interval II = $0

Index Interval III = \((9,000 \times 0.294) = 2,646\)

\(\{18.00 \times 500 \text{ (acres in III)} \times 1.0 \text{ (share)}\} \times 0.294 = 2,646\)
Program Basics, Quick Review

- County – contiguous acreage can cross county/state lines
- Insurable and Insured acres
- Basic Units only
- Sales Closing Date: November 30th
- Productivity Factor

- Dollar Amount of Protection per Acre:
  - \( \text{CBV} \times \text{PF} \times \text{CL} \) (60% - 150%) \times (70% - 90%)
Program Basics, Quick Review

- 6 available Index Intervals, must select at least two
- Policy Protection per Unit:
  - $ Amount of Protection per Ac x Insured Acres x share
- Premium per Unit
  - $ amount of protection/acre
  - $ number of insured acres/unit
  - $ premium rate
  - $ adjustment factor of 0.01
  - $ share
- Payment Calculation Factor:
  - (Trigger Grid Index – Final Grid Index)/Trigger Grid Index
- Indemnity:
  - Payment Calculation Factor x Policy Protection per Unit
Questions
Grid ID Selection

- **Grid ID**: A specific code associated with each grid
  - Number = typically 5 digits

- **Point of Reference**: A designated point, identifiable by longitude and latitude
  - Selected by the insured
  - Point that best represents the insured acreage
  - This determines the Grid ID for insurance
Grid ID Selection

- Certify the points of reference are representative of the acreage assigned to each Grid ID and the amount of acreage in each Grid ID(s)
  - Example: if the contiguous acreage is located in four grids the acreage can be separated into two, three, or four grids – or left all in one grid
  - The same acres cannot be insured in more than one Grid ID or county

- Determine the point of reference and corresponding Grid ID by Sales Closing Date
Examples of Determining Grid ID(s)

- Contiguous Acreage – One Grid
- The insured picks **one** point of reference on the property
Examples of Determining Grid ID(s)

- Contiguous Acreage – Multiple Grids, Counties, and/or States (Combined)
- The insured picks one point of reference in the contiguous acreage (could pick Grid 1 or Grid 2)
Examples of Determining Grid ID(s)

- Contiguous Acreage – Multiple Grids, Counties, and/or States (Separated)
- The insured selects one point of reference in each Grid and assigns the number of acres
Examples of Determining Grid ID(s)

- Determining the Grid ID(s) for Non-Contiguous Acreage (multiple properties)
  - A point of reference must be selected for each separate, non-contiguous acreage
  - The steps in determining the point of reference are similar to the steps outlined for contiguous acreage, simply repeated for each non-contiguous acreage to be insured
Examples of Determining Grid ID(s)

- The insured has two separate acreage locations in two grids
- The insured picks a point of reference in Grid 1 and a point of reference in Grid 4 and insures the two properties under two separate Grid ID’s
Examples of Determining Grid ID(s)

- The insured has two separate acreage locations in three grids
- First, the insured would pick a point of reference in Grid 4
- The insured then has the option of combining his acreage in Grid 1 and Grid 2, or insuring them separately by grid

Grid 1 Grid 2
  + 35 Acres
  + 15 Acres

Grid 3 Grid 4
  + 50 Acres
Examples of Determining Grid ID(s)

- If the non-contiguous acreage is located in the same grid
- The non-contiguous acreage will be combined and given a single Grid ID

Grid 1

- 25 Acres
  + 25 Acres

Grid 2

Grid 3

Grid 4
# Review of Determining Grid ID(s)

<table>
<thead>
<tr>
<th>Type of Acreage</th>
<th>Grid Information</th>
<th>Guideline</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contiguous Acreage</td>
<td>Single Grid</td>
<td>Choose one point of reference</td>
</tr>
<tr>
<td>Contiguous Acreage</td>
<td>Multiple Grids – Combined</td>
<td>Choose one point of reference</td>
</tr>
<tr>
<td>Contiguous Acreage</td>
<td>Multiple Grids – Separated</td>
<td>Choose one point of reference for each Grid</td>
</tr>
<tr>
<td>Non-Contiguous Acreage (multiple properties)</td>
<td></td>
<td>Choose one point of reference for each, separate, non-contiguous acreage in the county</td>
</tr>
</tbody>
</table>
Grid ID Selection Test

<table>
<thead>
<tr>
<th>County</th>
<th>Grid 1</th>
<th>Grid 2</th>
<th>Grid 3</th>
<th>Grid 4</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>County A</td>
<td>County B</td>
<td>All fields = grazinglands</td>
<td></td>
</tr>
<tr>
<td>A</td>
<td>+ 110 Acres</td>
<td>+ 100 Acres</td>
<td>+ 100 Acres</td>
<td>+ 120 Acres</td>
</tr>
<tr>
<td>B</td>
<td>+ 100 Acres</td>
<td></td>
<td></td>
<td>+ 120 Acres</td>
</tr>
<tr>
<td>C</td>
<td>+ 100 Acres</td>
<td></td>
<td></td>
<td>+ 125 Acres</td>
</tr>
<tr>
<td>D</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Grid ID Selection Test

**Grid 1**
- **County A**
  - A: 110 Acres

**Grid 2**
- **Total Ac: 150**
  - B: 100 Acres
  - 50 Acres

**Grid 3**
- **County B**
  - Total Ac: 140
  - C: 100 Acres
  - 40 Acres Hayland

**Grid 4**
- **Total Ac: 140**
  - D: 120 Acres
  - E: 125 Acres
Questions
Use of the Website and Information Needed
Determining Grid ID(s)

- Primary step:
  - Accurately identify the Grid ID(s)

Web address for determining Rainfall Index Grid ID(s):

http://prfri-rma-map.tamu.edu/
Topographical Map

San Angelo, Tom Green County, Texas, United States
Latitude = 31.4599, Longitude = -100.4401, Rainfall Grid ID = 36753.
Determining Grid ID(s) – Basic Steps

- Type in the city and/or county name where the property is located
- Select the city or county from the possible matches, a topo map for the area will be displayed
- Narrow the search by selecting an area near the actual location of the insured’s property
- Once the applicant has located the general area, it is recommended they continue to refine the search by switching to the photo maps
- Using the topo map, photo map, or combination of both, choose an appropriate resolution for proper identification of the property boundaries and corresponding Grid ID(s)
Photo Map

Map Driven Weather Grid Id Locator for Pasture, Rangeland, Forage Rainfall Index Insurance Program

Steps
1. Set Layer to Photo Map
2. Type in nearest town
3. Click FIND
4. View site list
5. Click site to view
6. Navigate to property
7. Switch layer to Photo
8. Navigate to point
9. Print view for records
10. Note Grid ID

18 mi E of San Angelo, Tom Green County, Texas, United States
Latitude = 31.5138, Longitude = -100.1403, Rainfall Grid ID = 36754.

Map Size: Small, Medium, Large, Extra Large

Possible matches. Click to view
1. San Angelo, Texas
2. San Angelo Junction, Texas

Select the type of map below
Layer: 1997 Photo

View data at this location
Lookup Grid ID Using Lat/Lon
Decision Support Tool
View Historical Rainfall Indices
View Rates/Values
RMA Premium Calculator

Other Links
Return to RMA

This website is a product of RMA, DAME, and CRITIT. Powered by TerraServer. Image courtesy of the U.S. Geological Survey.
Determining Grid ID(s) – Additional Steps

- The insured then selects **one** point of reference on the property by moving the cross marker (‘+’) to that location
  - Grid ID is listed at the top of the screen (and on the map itself)

- A Print Icon is in the lower right hand corner of the screen
  - This printed map can be used as a record to verify the Grid ID
  - Once printed, the property boundary can also be outlined and initialed by the insured for verification purposes

- The insured must certify the point of reference
Rate Tables

- County Base Values – Assessable at RMA website

<table>
<thead>
<tr>
<th>County</th>
<th>Type</th>
<th>Base Value</th>
<th>Total Acreage Allowed Per Interval</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adams</td>
<td>GRAZINGLAND (064)</td>
<td>8.26</td>
<td>MIN: 10 %, MAX: 60 %</td>
</tr>
<tr>
<td>Adams</td>
<td>HAYLAND (063)</td>
<td>224.57</td>
<td>MIN: 10 %, MAX: 60 %</td>
</tr>
</tbody>
</table>
### Coverage, Rate, and Index Reports

- **Rates** - Accessible at RMA website

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#### Premium Rate Report for Pasture, Rangeland, Forage

- **Crop Year:** 2007
- **State:** (08) Colorado
- **Insurance Plan:** (13) GRP Rainfall Index

<table>
<thead>
<tr>
<th>Grid ID</th>
<th>County</th>
<th>Interval</th>
<th>Type</th>
<th>70%</th>
<th>75%</th>
<th>80%</th>
<th>85%</th>
<th>90%</th>
</tr>
</thead>
<tbody>
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## Coverage, Rate, and Index Reports

- **Final Index, Payment Calculation Factors**

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**NOTE:** Final Grid Indices and Payment Factors are made available following the end date of the Index Interval as defined by the Special Provisions of Insurance.
Information Agents Need to Collect

- Insurable Acres
- Share
- Producer Selections (for each County/State combination):
  - Crop Type
  - Grid IDs
  - Coverage Level
  - Productivity Factor
  - Index Intervals
  - Insured Acres
  - Amount of Insurance per Index Interval
# Worksheet Information

**Pasture, Rangeland, Forage Rainfall Index Worksheet**

1. **Insured's Name:**
2. **Date:** __/__/____
3. **State:** _______ (___)
4. **County:** ___________ (___)
5. **Crop Type:**
6. **Coverage Level/Trigger Index:**
7. **Productivity Factor:** %
8. **$ Amt. of Prot/Ac:**

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<thead>
<tr>
<th>Grid ID</th>
<th>Insurable Acreage</th>
<th>Insured Acreage</th>
<th>Share</th>
<th>Index Interval</th>
<th>Unit Number</th>
<th>% Insured Acreage</th>
<th>Insured Acreage</th>
<th>Policy Protection/Unit</th>
<th>Premium Rate/$100</th>
<th>Premium/Unit</th>
<th>Premium Subsidy Amt</th>
<th>Premium Due From Grower</th>
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| I       |                   |                 |       |                |             |                   |                |                        |                 |             |                  |                         |
| II      |                   |                 |       |                |             |                   |                |                        |                 |             |                  |                         |
| III     |                   |                 |       |                |             |                   |                |                        |                 |             |                  |                         |
| IV      |                   |                 |       |                |             |                   |                |                        |                 |             |                  |                         |
| V       |                   |                 |       |                |             |                   |                |                        |                 |             |                  |                         |
| VI      |                   |                 |       |                |             |                   |                |                        |                 |             |                  |                         |
| **Total** |                 |                 |       |                |             |                   |                |                        |                 |             |                  |                         |

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</table>

Prepared by: ________________________________ (Agent's Signature)  
Insured's Initials: ________________________
## Worksheet Information

**General policy information**

1. Insured’s Name: __________________  
2. Date: ___/___/___  
3. State: ______ (___)  
4. County: ______ (___)  
5. Crop Type: _______  
6. Coverage Level/Trigger Index: ______  
7. Productivity Factor: _____ %  
8. $ Amt. of Prot/Ac: ______

**Finish with name and grower initials**

Prepared by: ____________________________ (Agent’s Signature)  
Grower’s Initials: __________
Worksheet Information

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<tr>
<th>Grid ID</th>
<th>Insurable Acreage</th>
<th>Insured Acreage</th>
<th>Share</th>
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Insert the Grid ID (determined from map and acreage location)

Insurable acres in the grid

Put the number of insured acres (not required to insure 100%)

Insert share

Calculate totals

County Totals: 495, 495
Worksheet Information

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Insert Index Interval code

Insert unit number

Insert the percentage of acreage selected for each Index Interval

Calculate the number of insured acres per Index Interval (Insured acres x percentage in #13)

Total acres (should equal total insured acres for the Grid ID)

Total in 14a should equal total insured acres
## Worksheet Information

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Policy Protection/Unit = ($ amt protection/ac x ac x share)

Look at the coverage and rate table to determine rate

Calculate the premium/unit = ($ amount of protection/acre x number of insured acres/unit x premium rate x adjustment factor of 0.01 x share)

Sum the premium/units
Worksheet Information

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Premium Subsidy/unit = (Premium/unit $ x subsidy rate)

Producer Premium/unit = Premium/unit - subsidy amount

Total Premium Subsidy = Sum of premium subsidy amount/unit

Total Producer Premium Due = Sum of Producer premiums/unit
## Pasture, Rangeland, Forage Rainfall Index Worksheet

<table>
<thead>
<tr>
<th>Grid ID</th>
<th>Insurable Acreage</th>
<th>Insured Acreage</th>
<th>Share</th>
<th>Index Interval</th>
<th>Unit Number</th>
<th>% Insured acreage/Unit</th>
<th>% Insured acreage/Unit</th>
<th>Policy Protection Unit</th>
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<th>Premium Subsidy Amt</th>
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<td>County Totals</td>
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<td>11a, 495</td>
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<td>16a, 495</td>
<td>17a, 8,010</td>
<td>19a, $1,065</td>
<td>20a, $628</td>
<td>21a, $437</td>
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</tbody>
</table>

Prepared by: ___________________________ (Agent's Signature)  Insured's Initials: ___________________________
# Worksheet Information - Completed

## Pasture, Rangeland, Forage Rainfall Index Worksheet

1. Insured's Name: ____________________________  
2. Date: ___ / ___ / ___  
3. State: (___)  
4. County: (___)  
5. Crop Type:  
6. Coverage Level/Trigger Index:  
7. Productivity Factor: ___%  
8. Amt. of Prot/Ac:  

### Grid ID  
<table>
<thead>
<tr>
<th>Insurable Acreage</th>
<th>Insured Acreage</th>
<th>Share</th>
<th>Index Interval</th>
<th>% Insured Acreage/Unit</th>
<th>Insured Acreage/Unit</th>
<th>Policy Protection/Unit</th>
<th>Premium Rate/$100</th>
<th>Premium/Unit</th>
<th>Premium Subsidy Amt</th>
<th>Premium Due From Grower</th>
</tr>
</thead>
</table>
| 37881             | 100              | 100   | 100            | I 221 00100 50 50 900 12.00 108 64 44  
|                   |                  |       |                | II 222 00200 50 25 450 13.00 59 35 24  
|                   |                  |       |                | III 226 00300 40 20 360 12.00 43 25 18  
|                   |                  |       |                | Total 100 100           |                      |                        |                 |             |                  |                        |
| 37882             | 50               | 50    | 100            | I 221 00100 10 5 90 13.50 12 7 5  
|                   |                  |       |                | II 222 00200 50 25 450 13.00 59 35 24  
|                   |                  |       |                | III 226 00300 40 20 360 12.00 43 25 18  
|                   |                  |       |                | Total 100 50            |                      |                        |                 |             |                  |                        |
| 37883             | 100              | 100   | 50             | I 221 00100 50 50 450 13.00 59 35 24  
|                   |                  |       |                | II 222 00200 30 73.5 1323 14.00 187 109 76  
|                   |                  |       |                | III 223 00300 20 49 882 15.00 132 78 54  
|                   |                  |       |                | Total 100 100           |                      |                        |                 |             |                  |                        |
| 37884             | 245              | 245   | 100            | I 221 00100 50 122.5 2205 13.00 187 169 118  
|                   |                  |       |                | II 222 00200 30 73.5 1323 14.00 187 109 76  
|                   |                  |       |                | III 223 00300 20 49 882 15.00 132 78 54  
|                   |                  |       |                | Total 100 245           |                      |                        |                 |             |                  |                        |

### County Totals  
<table>
<thead>
<tr>
<th>Grid ID</th>
<th>Insurable Acreage</th>
<th>Insured Acreage</th>
<th>Share</th>
<th>Index Interval</th>
<th>% Insured Acreage/Unit</th>
<th>Insured Acreage/Unit</th>
<th>Policy Protection/Unit</th>
<th>Premium Rate/$100</th>
<th>Premium/Unit</th>
<th>Premium Subsidy Amt</th>
<th>Premium Due From Grower</th>
</tr>
</thead>
<tbody>
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</tr>
</tbody>
</table>

Prepared by: ____________________________  
(Agent's Signature)  
Insured's Initials: ____________________________
How the Index is Reported

- The Final Grid Index will be available on the RMA website following the end date of each index interval
Questions
Joe Rancher Contacts His Agent

A step-by-step example
Determining Grid ID’s

Joe Rancher has 645 acres of insurable grazingland and hayland in two counties. His insurable acreage is contained in five non-contiguous properties: A, B, C, D, and E.

Note: Actual Grid IDs will have 5 digits.
Decision

- Joe Rancher decides to insure the four properties (535 insurable acres) located in County B and leave property A uninsured in County A.

- Had he chosen to insure Property A in County A, he would have had to insure that acreage separately because Property A is non-contiguous from his other properties and located in a different county.
Decision

- Property B – Contiguous acreage located in more than one grid
  - Decides to separate the property into two Grid IDs, with 100 insured acreage in Grid 1 and 50 insured acreage in Grid 2. He picks a reference point in each grid

```
+---+---+      +---+---+
| A | +---+   +---| B |
| 110 Acres |    | 50 Acres |
+---+---+      +---+---+
 County A   County B
```

```
+---+---+      +---+---+
| + | +---+   +---| + |
|   | 100 Acres |    |   |
+---+---+      +---+---+
 Grid 1      Grid 2
```

Total Ac: 150
Decision

- Property C – Contiguous acreage spread into more than one county, which contains two crop types (both grazingland and hayland with 50% share)
  - Decides to pick a point of reference in County B and use that point of reference to represent all the contiguous insurable grazingland acreage (100 acres) in both County A and County B (decides not to insure haylands)
Decision

- Property D and E – Non-Contiguous acreage located in a single grid (both grazingland with 100% share)
  - Joe Rancher combines Properties D and E and insures all 245 acres under Grid ID 4
Summary

Joe Rancher selects for grazingland:
Coverage Level = 85%
Productivity Factor = 120%
County Base Value = $17.65

Dollar Amount of Production per Acre
= $17.65 \times 0.85 \times 1.20
= $18.00 per Acre

<table>
<thead>
<tr>
<th>Grid ID</th>
<th>Property</th>
<th>Insured Acreage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grid 1 (insert the actual Grid ID number for the insured, i.e. 37881)</td>
<td>B</td>
<td>100</td>
</tr>
<tr>
<td>Grid 2 (insert the actual Grid ID number for the insured, i.e. 37882)</td>
<td>B</td>
<td>50</td>
</tr>
<tr>
<td>Grid 3 (insert the actual Grid ID number for the insured, i.e. 38773)</td>
<td>C</td>
<td>100</td>
</tr>
<tr>
<td>Grid 4 (insert the actual Grid ID number for the insured, i.e. 38774)</td>
<td>D &amp; E</td>
<td>245</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>495</strong></td>
</tr>
</tbody>
</table>
Summary

Designates specific percentage of the insured acreage to at least two of the index intervals for each Grid ID

He finds that he can place no more than 50% of his insured acreage to any one index interval

Note: Interval selections do not have to be contiguous
## Policy Protection per Unit (10 Units)

<table>
<thead>
<tr>
<th>Grid ID</th>
<th>Insured acreage</th>
<th>Index interval</th>
<th>Unit Number</th>
<th>Policy Protection/Unit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grid 1</td>
<td>100% share</td>
<td>($18.00 X 50ac X 1.0)</td>
<td>00100</td>
<td>$900</td>
</tr>
<tr>
<td></td>
<td></td>
<td>($18.00 X 50ac X 1.0)</td>
<td>00200</td>
<td>$900</td>
</tr>
<tr>
<td>Grid 2</td>
<td>50% share</td>
<td>($18.00 X 25ac X 1.0)</td>
<td>00100</td>
<td>$450</td>
</tr>
<tr>
<td></td>
<td></td>
<td>($18.00 X 20ac X 1.0)</td>
<td>00300</td>
<td>$360</td>
</tr>
<tr>
<td>Grid 3</td>
<td>100% share</td>
<td>($18.00 X 50ac X 0.5)</td>
<td>00100</td>
<td>$450</td>
</tr>
<tr>
<td></td>
<td></td>
<td>($18.00 X 50ac X 0.5)</td>
<td>00200</td>
<td>$450</td>
</tr>
<tr>
<td>Grid 4</td>
<td>100% share</td>
<td>($18.00 X 73.5ac X 1.0)</td>
<td>00100</td>
<td>$2,205</td>
</tr>
<tr>
<td></td>
<td></td>
<td>($18.00 X 49ac X 1.0)</td>
<td>00300</td>
<td>$882</td>
</tr>
</tbody>
</table>

**Policy Protection**: $8,010
Premium

- Joe Rancher and his agent look up the applicable premium rates using the premium rate tables

- Premium/unit (Index Interval) =
  \[ \text{\$ amount of protection/acre} \times \text{number of insured acres/unit} \times \text{premium rate} \times \text{adjustment factor of 0.01} \times \text{share} \]
Summary of Premium

<table>
<thead>
<tr>
<th>Grid ID</th>
<th>Insured Acreage &amp; Share</th>
<th>Index Interval</th>
<th>Unit Number</th>
<th>Policy Protection/unit</th>
<th>Premium Rate/$100</th>
<th>Premium</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grid 1</td>
<td>100 ac 100% share</td>
<td>I</td>
<td>00100</td>
<td>$(18.00 \times 50 \text{ ac} \times 1.0 \text{ share}) = $900.00</td>
<td>$12.00</td>
<td>$108</td>
</tr>
<tr>
<td></td>
<td></td>
<td>II</td>
<td>00200</td>
<td>$(18.00 \times 50 \text{ ac} \times 1.0 \text{ share}) = $900.00</td>
<td>$14.00</td>
<td>$126</td>
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<td></td>
<td></td>
<td>III</td>
<td>IV</td>
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<td>VI</td>
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<td></td>
<td>Total</td>
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<td></td>
<td></td>
<td>$1,800.00</td>
<td>$234</td>
</tr>
<tr>
<td>Grid 2</td>
<td>50 ac 100% share</td>
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<td>00100</td>
<td>$(18.00 \times 5 \text{ ac} \times 1.0 \text{ share}) = $90.00</td>
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<td>$12</td>
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<td></td>
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<td>II</td>
<td>00200</td>
<td>$(18.00 \times 25 \text{ ac} \times 1.0 \text{ share}) = $450.00</td>
<td>$13.00</td>
<td>$59</td>
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<td>III</td>
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<td>Total</td>
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<td>$900.00</td>
<td>$114</td>
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<td>100 ac 50% share</td>
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<td>$(18.00 \times 50 \text{ ac} \times 0.50 \text{ share}) = $450.00</td>
<td>$13.00</td>
<td>$59</td>
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<td>II</td>
<td>III</td>
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<td>Total</td>
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<td></td>
<td>$1,800.00</td>
<td>$113</td>
</tr>
<tr>
<td>Grid 4</td>
<td>245 ac 100% share</td>
<td>I</td>
<td>00100</td>
<td>$(18.00 \times 245 \text{ ac} \times 1.0 \text{ share}) = $2,205.00</td>
<td>$13.00</td>
<td>$287</td>
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<td></td>
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<td>II</td>
<td>00200</td>
<td>$(18.00 \times 73.5 \text{ ac} \times 1.0 \text{ share}) = $1,323.00</td>
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<td>$8,610</td>
<td>$1,665</td>
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Premium Subsidy Amount

Joe Rancher and his agent refer to the GRP subsidy tables
- For the coverage level of 85%, the applicable subsidy percentage is 59%

Premium Subsidy/Unit =
- Premium/unit x subsidy percentage
  Example: $108 x 0.59 = $64
Premium Due from Producer

- The Premium due from Producer is the result of the Premium/unit minus the Subsidy/unit

- Premium per unit – Premium subsidy per unit
  Example: $108 - $64 = $44

- They sum the Subsidy and Producer Premiums to determine the Totals
Summary of Premium, Subsidy, and Producer Premium

<table>
<thead>
<tr>
<th>Grid ID</th>
<th>Index Interval</th>
<th>Unit Number</th>
<th>Premiums</th>
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<th>Producer Premium</th>
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## Worksheet with All Information

### Pasture, Rangeland, Forage Rainfall Index Worksheet

<table>
<thead>
<tr>
<th>Grid ID</th>
<th>Insurable Acreage</th>
<th>Insured Acreage</th>
<th>Share</th>
<th>Index Interval</th>
<th>Unit Number</th>
<th>% Insured Acreage/Unit</th>
<th>Policy Protection/Unit</th>
<th>Premium Rate/$100</th>
<th>Premium/Unit</th>
<th>Premium Subsidy Amt</th>
<th>Premium Due From Grower</th>
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<tbody>
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<td>37881</td>
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<tr>
<td><strong>County Total</strong></td>
<td><strong>10a. 495</strong></td>
<td><strong>11a. 495</strong></td>
<td><strong>16a. 495</strong></td>
<td><strong>17a. $8,010</strong></td>
<td><strong>19a. $1,065</strong></td>
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<td><strong>21a. $437</strong></td>
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</tr>
</tbody>
</table>

Prepared by: ________________  Big Brand Agent  (Agent’s Signature)  Insured’s Initials: ___J__R__
Final Grid Index and Indemnities
Final and Trigger Grid Index

<table>
<thead>
<tr>
<th>Grid ID</th>
<th>Index Interval</th>
<th>Unit Number</th>
<th>Final Grid Index</th>
<th>Trigger (Above or Below)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grid 1</td>
<td>I</td>
<td>00100</td>
<td>120</td>
<td>Above</td>
</tr>
<tr>
<td></td>
<td>II</td>
<td>00200</td>
<td>100</td>
<td>Above</td>
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<td>III</td>
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<tr>
<td>Grid 2</td>
<td>I</td>
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<td></td>
<td>II</td>
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<tr>
<td>Grid 3</td>
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<td>Below</td>
</tr>
<tr>
<td>Grid 4</td>
<td>I</td>
<td>00100</td>
<td>120</td>
<td>Above</td>
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<td></td>
<td>II</td>
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</tbody>
</table>

Trigger Grid Index is 85 for all grids and Index Intervals
Calculating Indemnities

- **Payment calculation factor** =
  \[
  \frac{\text{trigger grid index} - \text{final grid index}}{\text{trigger grid index}}
  \]

- **Indemnity payment** =
  \[
  \text{payment calculation factor} \times \text{Policy protection per unit}
  \]
Example Calculations

- **Grid 4 – 245 Acres**
  - **Index Interval I**: The final grid index of 120 is above the trigger grid index of 85. No indemnity is due

- **Index Interval II**: The final grid index of 70 is below the trigger grid index of 85
  
  \[
  \text{Payment calculation factor} = \frac{(85 - 70)}{85} = 0.176
  \]
  
  \[
  \text{Indemnity payment} = 0.176 \times \$1,323 = \$233
  \]

- **Index Interval III**: The final grid index of 60 is below the trigger grid index of 85
  
  \[
  \text{Payment calculation factor} = \frac{(85 - 60)}{85} = 0.294
  \]
  
  \[
  \text{Indemnity payment} = 0.294 \times \$882 = \$259
  \]
Summary of Yearly Policy in Example

- Joe Rancher insured 495 acres of grazing land in Four separate Grid ID’s
- Joe Rancher paid $437 in premium for $8,010 in protection
- A total indemnity of $687 will be due to Joe Rancher for this County and Crop Year
Questions
Additional Program Tools and Information
PRF - Rainfall Index Decision Tool

- The calculator is not part of the program
  - Not required to buy insurance
  - Provides estimates
  - Values are based on current information to derive historical estimates of indemnity, premium, and subsidy numbers
  - May not match the official figures released by FCIC in past years
  - Contact a qualified insurance agent for actual premium quotes
Decision Tool: Example

**Pasture, Rangeland, Forage Rainfall Index Decision Tool**

Please complete the following information (Yellow areas):

- **State**: Texas
- **County**: Andrews
- **Grid ID**: 35462
- **Insured Crop Type**: Grazingland
- **Coverage Level (%)**: 85
- **Productivity Factor (%)**: 120
- **Share (%)**: 100
- **Insurable Acres**: 245
- **Sample Year**: 1996

Base information provided:
- County Base Value per Acre: $11.12
- Dollar Amount of Protection per Acre: $11.34
- Total Insured Acres: 245
- Total Policy Protection: $2,778
- Subsidy Level: 59%
- Maximum % of Total Insured Acres Allowed per Index Interval: 50%

Input information in all the yellow fields:

<table>
<thead>
<tr>
<th>Index Interval</th>
<th>Insured Acres per Index Interval</th>
<th>Policy Protection per Unit</th>
<th>Annual Rate per $100</th>
<th>Total Premium ($/ac)</th>
<th>Premium Subsidy ($/ac)</th>
<th>Producer Premium ($/ac)</th>
<th>Actual Index Value</th>
<th>Indemnity ($/ac)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>122.50</td>
<td>$1,399</td>
<td>31.33</td>
<td>$3.55</td>
<td>$2.10</td>
<td>$1.46</td>
<td>41.8</td>
<td>$3.76</td>
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</tbody>
</table>
Decision Tool: Example

Insert the number of acres for each Index Interval (percentages allowed specified in the Special Provisions)

Results

Once information is entered, click Submit Query

(if any information is changed must resubmit query)
Additional Information

- Historical Index
  - Lookup values since 1948

- Lookup Grid ID using Longitude/Latitude
  - Must be submitted in the correct data format

- RMA premium calculator
Summary

- A new program for a commodity with little or no history of crop insurance
- GRP based program
- Losses determined by index (not individual production)
- Terminology differences
- Producer is allowed or required to make choices
- Can tailor the program to producer risk management needs
Questions