



# Area Risk Protection Insurance

June 2013

## What is Area Risk Protection Insurance?

Area Risk Protection Insurance, or ARPI, is an insurance plan that provides coverage based on the experience of an entire area, generally a county. ARPI replaces the Group Risk Plan (GRP) and the Group Risk Income Protection Plan (GRIP). It is designed to increase efficiency by providing one set of policy provisions for all area plans, and uniform pricing methods for area and individual-based plans. It also provides for more flexibility in the data source used for establishing yields and requires production reporting requirements for producers enrolled in area-based plans, which will improve accuracy and allow the program to be offered in more areas.

ARPI provides clarity, simplicity, transparency, and reduction of duplication over the GRP and GRIP policy language that benefits both you and your insurance provider. You can choose from three insurance plans:

- ⇒ Area Revenue Protection that covers against loss of revenue due to a county level production loss, price decline, or combination of both, and includes upside harvest price protection;
- ⇒ Area Revenue Protection with Harvest Price Exclusion that covers against loss of revenue due to a county level production loss, price decline, or a combination of both; or
- ⇒ Area Yield Protection that covers against loss of yield due to a county level production loss.

All three plans have one set of basic provisions and crop provisions documents and will be effective for the 2014 and succeeding crop years. The first contract change date is June 30, 2013 for wheat.

## What Crops Are Covered By This Plan?

The crops covered by the Area Risk Protection Insurance Plan are:

- ◆ Barley,
- ◆ Corn,
- ◆ Cotton,
- ◆ Forage,
- ◆ Grain Sorghum,

- ◆ Peanuts,
- ◆ Soybeans,
- ◆ Wheat.

## How Will Crop Prices Be Set?

ARPI uses the same Commodity Exchange Price Provisions (CEPP) that the Common Crop Policy uses, providing consistent prices for both individual and area-based insurance plans. The benefits of this action are that:

- ⇒ The producer benefits because the price at which you may insure your crops should more closely approximate the market value of any loss.
- ⇒ Using the same prices for both the area and individual plans will minimize confusion and reduce switching between plans based solely on price.
- ⇒ The United States Department of Agriculture's (USDA) Risk Management Agency (RMA) will no longer be required to make two estimates of the respective market price for these crops.
- ⇒ Insurance providers will no longer be required to process two releases of the market price for a crop year.

## How Does RMA Collect Data for ARPI?

GRP and GRIP used USDA National Agricultural Statistics Service (NASS) data as the sole source for establishing expected county yields and in most cases for determining final county yields. ARPI includes provisions to allow RMA the ability to use data from any one of several sources. These data sources can include crop insurance data, NASS data, or other data sources. This new ability will:

- ⇒ Help address the issue of RMA removing area-based insurance offers due to a lack of data for certain crops in certain areas.

Lack of data is one of the biggest barriers to being able to make area-based insurance products widely available. Without unbiased, sufficient, and credible data sources, it is not possible to provide area-based insurance and existing programs could be

discontinued due to the lack of data. The benefit of requiring production data from producers who insure under both area and individual policies is to:

- ◆ Improve the availability and accuracy of determining average county yields.
- ◆ Allow crop insurance to use another reliable set of data for program operation and offer area-based coverage in as many areas as possible.
- ◆ Create a minimum burden for area-based policies since many producers already keep this information year to year. Many insurance providers also maintain databases containing this information for when you need your actual production history when changing to an individual insurance plan.

### What Information Do Producers Have To Keep And Provide?

ARPI includes provisions that will require production reporting by a production reporting date at the conclusion of the current insurance year to provide necessary data to assist in more accurately and efficiently operating the area-based program. This will:

- ⇒ Add some administrative burden and costs to producers and insurance providers to maintain and submit production records that were not required under GRP and GRIP.
- To keep costs minimal, RMA will:
- ⇒ Not require insurance providers to perform appraisals for ARPI crops that are not harvested.
  - ⇒ Require you to note whether the crop was destroyed or put to another use if you report unharvested acreage.
  - ⇒ Reduce the next year's protection factor to 0.80, which is the lowest factor available, if you do not provide an accurate production report by the production reporting date.
  - ⇒ Allow a 1-year grace period the first year of ARPI before implementing the provisions for failing to report production.

⇒ Recognize there may be certain crops, like forage, for which production reporting may be problematic and will not require production reporting for these crops.

### Where to Buy Crop Insurance

All crop insurance policies are available from private insurance agents. A list of crop insurance agents is available at all USDA service centers and on the RMA web site at: [www3.rma.usda.gov/apps/agents/](http://www3.rma.usda.gov/apps/agents/)

### Contact Us

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