2021 Crop Insurance Updates

Wathen Crop Insurance

Farmers Mutual Hail
Insurance Company of Iowa

Prevented Planting Changes

Basic Provisions

Farmers Mutual Hail
Insurance Company of Iowa

Prevented Planting (Intended A/R)

Section 17(e)(1)(ii)

- Revised to allow the option to use an intended acreage report for a second crop year
  - Acknowledges rotational good farming practices
  - Producer receives more accurate payment reflective of producer's actual intended plantings for that year
- Insured's who were eligible to file intended A/R the first year, will be eligible to file for the 2nd year
  - May file for the 2nd year whether producer filed for the first year, or not
  - If files for 2nd year, eligibility based on 2nd year filing and not prior year history
- Use Intended Acres box on Application/Change Form

Prevented Planting (Eligibility)

Section 17(e)(2) revised to provide that if following a failed first insured crop, an uninsured second crop is planted on the same acres within the same crop year, the planted acres of the uninsured crop will not be subtracted from the eligible prevented planting acreage.

Example: Eligibility

- Producer has 100 total acres of cropland (Fields A & B)
- 50 acres of PP corn eligibility and 50 acres of PP soybean eligibility
- Field A (50 acres) is planted to a 1st insured crop corn, fails and is paid an indemnity
- Field A (50 acres) is then planted to a 2nd crop of uninsured soybeans
- Field B (50 acres) is prevented from being planted corn

Corn	**Soybeans**
50 eligible acres	50 eligible acres
50 planted, failed (insured)	50 planted , 2^{nd} crop (uninsured)
50 prevented (Field B)	0 prevented
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No PP payment	50 acres available for PP payment

Prevented Planting (Field Rule)

- 20/20 Field Rule: Any PP acreage within a field that contains planted acreage will be considered the same crop/type/practice as planted in field, unless PP acreage is at least 20 acres or 20% of field; and
  - Insured can show he produced both crops in same field in 1 of 4 most recent crop years;
  - Insured was prevented from planting a first insured crop and planted a 2nd crop in the field;
  - Insured crop would not have been planted on remaining acreage (e.g. if limited by Crop Provisions, Special Provisions or processor contract specifications would not be met; or
  - NEW Insured provides proof of intent to plant another crop or crop type on the acreage

Example: Field Rule

- A producer intends to plant 100 acres of corn, but it's too wet prior to the FPD. They begin to plant the field to soybeans before the end of the LPP of corn and gets 30 acres planted before they are unable to continue due to moisture.
- A claim is filed for the remaining 70 acres of PP corn
- May pay as corn if insured can prove intent was to plant corn and not soybeans

Example: Field Rule – Proof?

- Policy says: “You provide proof that you intended to plant another crop or crop type on the acreage (including, but not limited to inputs purchased, applied or available to apply or that acreage was part of a crop rotation)”.
- Insured would need to provide “proof”
  - Just stating “I was going to rotate” will likely not be sufficient proof
- Still subject to the 20/20 rule

Prevented Planting (Hay/Graze & Planting)

Section 17(f)(5)(iii)

- Added to clarify prevented planting coverage will not be provided if the act of haying or grazing a cover crop contributed to the acreage being prevented from planting or the cover crop was otherwise harvested prior to the end of the late planting period
- Not really a change as similar language was contained in the Special Provisions and now has been moved to the Basic Provisions

Prevented Planting (1 in 4 Req.)

- Section 17(f)(8)
  - Revised to expand nationwide the "1 in 4" requirement
    - Had been included in Prairie Pothole States (IA, MT, MN, ND, SD)
    - Wording was in Special Provisions, now added to Basic Provisions
  - Impacts acreage "available to plant" as it relates to PP claims.

Prevented Planting (1 in 4 Req.)

- To be considered “Available to Plant” for PP purposes, the acreage must
  - In at least one of the four most recent crop years immediately preceding the current crop year, have been planted to a crop

    (1) Using recognized good farming practices;

    (2) Insured under the authority of the Act; and

    (3) That was harvested, or if not harvested, was adjusted for claim purposes under the authority of the Act due to an insured cause of loss (other than a cause of loss related to flood, excess moisture, drought, or other cause of loss specified in the Special Provisions)

Examples: 1 in 4 Req.

Likely examples of acreage that may be insurable if planted, but not considered available to plant for PP situations

- Coming out of CRP
- Coming out of alfalfa rotation
- Has been PP for four years

Prevented Planting (1 in 4 Req.)

- Once acreage does not satisfy criteria set forth, such acreage will be considered unavailable for planting until the acreage has been planted to a crop meeting criteria set forth for two consecutive crop years

Product Updates

Enhanced Coverage Option (ECO)
Quality Loss (QL) Option

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Enhanced Coverage Option (ECO)

New for 2021 RY

Product Updates

Availability & Basic Overview

Enhanced Coverage Option (ECO)

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ECO Availability

- 508(h) product approved for 2021 crop year
- 2021 crop year: 31 Spring planted crops
  - Important SCDs: 1/31, 2/28, 3/15
  - Check actuarial documents for all eligible crops/plans/dates
- 2022 crop year: Additional Fall planted crops will be eligible

2021 Eligible Crops

Barley	Buckwheat	Burley Tobacco
Canola	Cigar Binder Tobacco	Corn
Cotton	Cotton Ex Long Staple	Cultivated Wild Rice
Dark Air Tobacco	Dry Beans	Dry Peas
Fire Cured Tobacco	Flax	Flue Cured Tobacco
Grain Sorghum	Hybrid Corn Seed	Hybrid Seed Rice
Hybrid Sorghum Seed	Millet	Oats
Peanuts	Popcorn	Rice
Safflower	Sesame	Silage Sorghum
Soybeans	Sugar Beets	Sunflowers
Wheat		

What is ECO?

- Provides area-based coverage for a portion of the deductible of the underlying policy
- Supplements coverage available under RP, RP-HPE, YP, YDO, and APH policies when available in actuarials
- Similar to Supplemental Coverage Option (SCO) and utilizes the same figures for
  - Expected and Final Area Yields
  - Projected and Harvest Prices
  - Payment Factor

What is ECO?

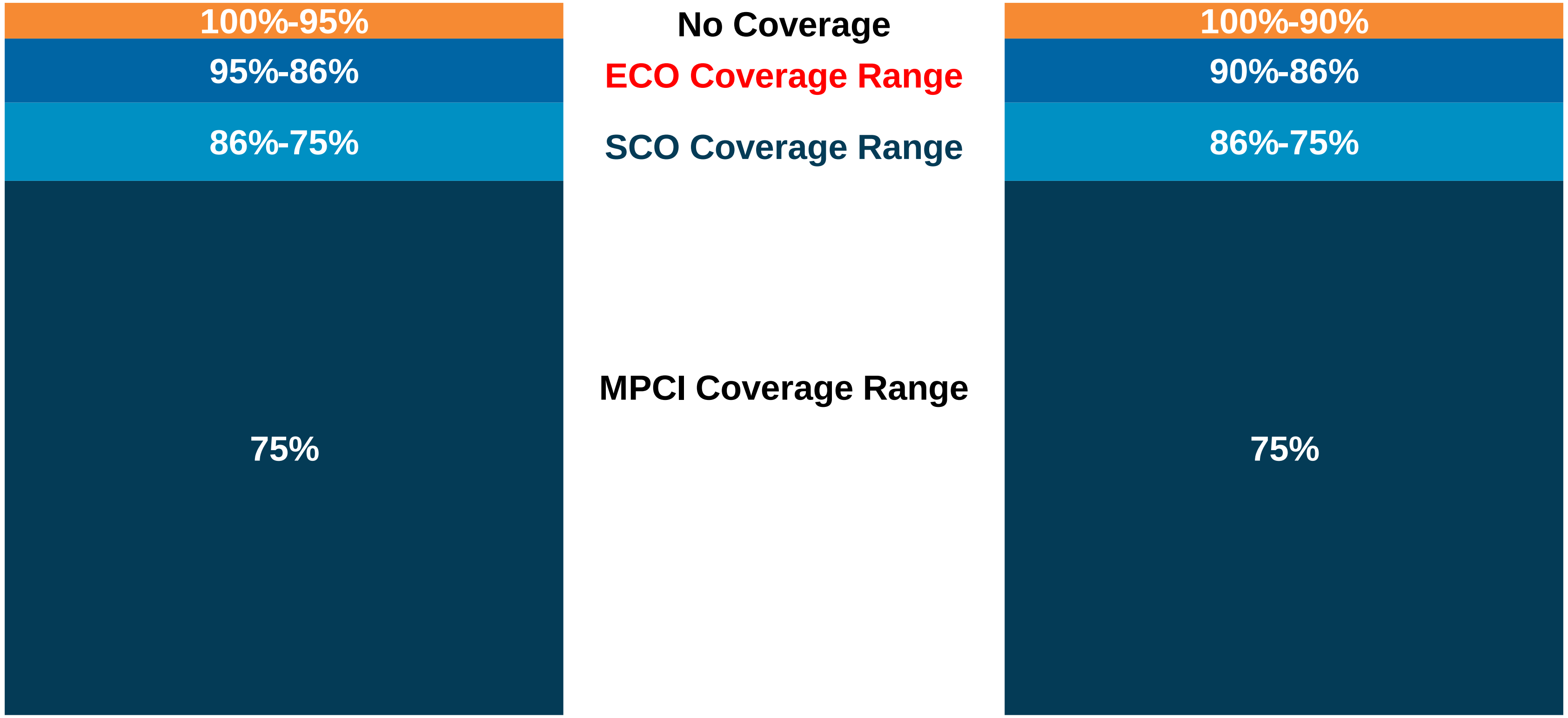
- Designed to be simple
- No premium credits or offsets against individual coverage
- ARC or PLC participation has no effect on eligibility
- Expected and final yields are based on RMA data and not producer yields
- Indemnities are paid in the summer following the crop year

What is ECO?

- Very similar to functionality of SCO
  - SCO can be added to an existing, qualified crop/plan and offers **area** coverage up to 86% level
  - ECO can be added to an existing, qualified crop/plan and offers **area** coverage up to either 90% or 95% level
  - ECO and SCO can be elected together
    - SCO provides area coverage up to 86%
    - ECO provides area coverage up to 95%

ECO Trigger Example

ECO TRIGGER



Definitions

Enhanced Coverage Option (ECO)

ECO Definitions

Area Loss Trigger	Percent of expected area yield or revenue, as applicable, below which an indemnity is paid • Area loss trigger is either 90% or 95% as chosen by the insured
Coverage Percentage	Whole-number percentage insured chooses that is used to calculate the dollar amount of insurance under the endorsement
Expected Area Revenue	Expected yield x Projected Price
Expected Area Yield	Yield per acre contained in the actuarial documents for the insured crop, type, and practice in the production area • Used to determine if an indemnity will be due
Final Area Revenue	The amount per acre determined by final area yield x harvest price • Released by FCIC • Used to determine if an indemnity will be due for underlying policies with RP
Final Area Yield	The yield per acre for the insured crop, type, and practice in the production area • Determined and released by FCIC • Used to determine if an indemnity will be due
Payment Factor	Factor that represents the production area loss as compared to the ECO coverage range • The payment factor is used to determine the amount of indemnity to be paid under ECO

Eligibility & Coverage

Enhanced Coverage Option (ECO)

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Eligibility

- Optional endorsement added to an existing policy
  - Underlying plan must be with the same AIP & agent
- Insured indicates election on the MPCI Application
  - Available only when insured has an eligible crop and plan of insurance in place
- Eligible underlying plans: APH, RP, RP-HPE, YDO, YP

Eligibility

- SCD Election
  - Elected by the SCD for the underlying plan of insurance
- Not available if insured has Margin Protection or HIP-WI
- Can elect both STAX and ECO
  - However, ECO coverage won't attach to the acreage insured under STAX
- High-risk acreage excluded from the underlying plan is not eligible for ECO

Endorsement Options

When the ECO option is elected, the insured must select

- Area Loss Trigger: 95% or 90%
  - If 95% is elected, ECO coverage is 95% – 86% = 9% (area coverage)
  - If 90% is elected, ECO coverage is 90% – 86% = 4% (area coverage)
- Coverage Percentage: 50% – 100% in 1% increments (defaults to 100%)
- ECO plan code determined by underlying plan
  - APH, YP, or YDO (plan code 87)
  - RP (plan code 88)
  - RP-HPE (plan code 89)

Coverage and ECO Coverage Range

- ECO coverage is determined by
  - Area loss trigger elected (90% or 95%)
  - Coverage Percentage elected (50% – 100%)
  - Underlying plan liability
- ECO coverage determinations must be made at an individual practice/type level

Coverage and ECO Coverage Range

- Range based on the insured’s underlying plan of insurance
- Two coverage ranges offered
  - 95% – 86% = 9%
  - 90% – 86% = 4%

Life of Policy

- Continuous option until canceled
- Remains in effect for the insured crop until canceled by the insured or the AIP on or before the cancellation date
- Provided the insured retains an underlying policy that can be a YP, RP, RP-HPE, Yield Based Dollar Amount of Insurance or an APH (as applicable to the crop) on that crop

Cancellation or Policy Change

- If underlying policy for the crop is canceled or terminated, coverage under the ECO is automatically canceled
- Other changes made to the underlying policy don’t cancel the ECO
    - ECO will continue to provide its coverage based on the chosen area trigger level

Premium & Billing

- Premium calculations will be completed separately for the underlying policy and the ECO endorsement
- A separate administration fee applies
- ECO billing dates match underlying policy dates

Causes of Loss (COL)

- ECO provides protection against widespread area loss of yield or revenue (as applicable) in the production area due to natural causes
- Individual farm yields and revenues aren’t considered under ECO when determining the final area yield or final area revenue
- It’s possible that an individual farm may experience reduced revenue or reduced yield and an indemnity will not be paid under ECO

Claims/Indemnities

- Indemnities will be determined after RMA provides Final Yields/Revenues to the AIPs (similar process to SCO, MP, ARPI)
- Values announced in summer (e.g., 2021 policy, values announced in summer 2022)
- Not affected by whether the insured receives a payment on the underlying policy
- Insured can experience an individual loss, but not receive an ECO payment, or vice-versa

Policy & Indemnity Example: Revenue Protection Policy

Enhanced Coverage Option (ECO)

ECO Example

- ECO elected on RP policy
- Area Expected Yield: 200 bu/ac
- Corn Projected Price: $4.00/bu
- Insured elects 95% ECO coverage
- Producer has an approved APH yield of 210 bu/ac

ECO Example

- Coverage Range is the selected ECO coverage level less 86%
  - 95% – 86% = 9%
- ECO Amount of Insurance is determined as Expected Revenue x Coverage Range
  - ($4.00 x 210 bu/ac) x 9% = $75.60/ac

ECO Example

- Premium rate: 45%
- Total Premium calculated
  - $75.60/ac x 0.45 = ~$34.00/ac
  - Premium Subsidy is determined: $34.00/ac x 0.44 = ~$15.00/ac
  - Producer Premium: $34.00/ac – $15.00/ac = $19.00/ac

ECO Example

- Harvest Price: $3.80/bu
- Final Area Yield: 190 bu/ac
- Final Area Revenue: $722/ac
- Loss Percentage is determined by taking to the Loss Trigger less the Final Area Revenue divided by the Expected Area Revenue
  - Max (95% - {$722 / $800} = 4.75%), 0

ECO Example

- Payment Factor is determined as Loss Percentage / Coverage Range
  - 4.75% / 9% = 52.78%.
- Payment Factor x ECO Amount of Insurance = ECO indemnity
  - $75.60/ac x 52.78% = $39.90/ac

Premium & Subsidies

Enhanced Coverage Option (ECO)

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Premiums & Subsidies

- Premium depends on crop, county, type of coverage, & trigger level percentage chosen
- YP = 51% subsidy
- RP = 44% subsidy

Quality Loss (QL) Option

Product Updates

Overview

Quality Loss (QL) Option

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General Information

- Allows insureds to replace actual yields based on post-quality production in their APH database(s) with actual yields based on pre-quality total production
- Replacement only applies when a NOL was timely filed and the crop had quality-adjusted production, regardless of whether an indemnity payment occurred

Election

- The insured must elect the QL Option
  - By the applicable SCD
  - On a crop/county basis
  - On an APH database and crop year by the PRD
    - Must be a NOL filed in that crop year(s) for the QL option to be applicable
- Continuous election

Availability

- Eligible Crops: Barley, Buckwheat, Canola, Corn, Cotton, Flax, Grain Sorghum, Malting Barley, Oats, Rice, Rye, Safflower, Soybeans, Sunflowers, and Wheat*
  - Check Actuarial Document for availability
- Only available for additional coverage policies
- TA, YA, YC, and YE are available as authorized, in any combination for the applicable APH database
- Can apply to prior crop years with quality losses; however, a NOL had to have been filed and documentation is required

* The Actuarial Information Browser (AIB) will show the QL rate factor of 1.0 for wheat as it is released

Cancellations and Transfer

- Must be cancelled in writing on or before the cancellation date
- When an insured cancels
  - Actual yield replacement will no longer apply
  - YA and YC, if elected, and yield floors, as applicable, may apply
- If policy is transferred to a different AIP, the QL is considered cancelled
  - If the insured would like to continue the use of the QL, the insured must make election with new AIP on or before the SCD
  - If the AIP cannot get prior history from the prior AIP, and/or the insured is unable to provide QL information for any given crop year(s), that crop year(s) may not be eligible for the QL

Written Agreements (WA)

- Eligible to be used on WA if provided in the actuarial document
- Exceptions
  - When a WA makes an irrigation practice insurable, the QL is not available because the irrigation practice is not an insurable practice listed on the AD for the crop/county
  - Not applicable for XC WA
  - WA cannot be used to add the QL option when the crop/county does not contain the QL in the Actuarial Document

Q&A

- Does the QL require that a NOL must have been filed in that crop year?

  A NOL must be filed for any crop year you want to elect the QL in your APH database

- If you elect the QL one year and drop the option the following year, are there any penalties?

  There is no penalty for dropping the QL option; however, pre- QA PTC will no longer apply, and post-QA PTC will be used in the APH database for all applicable crop years

Q&A

- Is premium for the QL only charged if I elect to apply it?
  - If there are no yield replacements in your APH database, no premium is charged in that APH database for the QL.
  - When it does get applied, the QL option cost similar to other options and endorsements the insured may elect, such as TA, and YE

Pre- and Post- Quality Adjusted Production

Quality Loss (QL) Option

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Pre- and Post- Quality Adjusted Production

- Is Pre- and Post- Production determined solely by adjusters?
  - Electing the QL should have no impact on how a loss adjuster completes the claim
    - If a claim has been worked by the AIP, then AIP would use the information from the claim to report Pre- and Post- QA for PTC
  - If the insured filed a NOL but withdrew their claim, then the insured would use their production evidence (records that the AIP determines acceptable) that has Pre- and Post-Quality Production to report their production for QL

Database Procedures

Quality Loss (QL) Option

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Actual Yields Eligible

Applicable Yield Descriptors	
A	AC
AP	AY
BF	DA
FA	NA
NR	NW
PA	PR
PW	R
RY	VF
WY	

Replacement of Actual Yields

- When the insured has elected the QL, an insured may choose by
  - APH database
  - Eligible crop year
- No limit to the number of actual yields that can be replaced
- Applies to all actual yields eligible for replacement for pre-quality actual yields for all APH databases
  - Unless the insured notifies the AIP in writing by the PRD

Replacement of Actual Yields

- When the QL is being applied to an actual yield, it will continue to apply in subsequent crop years unless
  - The insured cancels the QL by the SCD for the crop; or
  - Notifies the AIP in writing by the PRD
- Actual yields that are replaced are still subject to APH reviews

Opt Out of Replacing Eligible Actual Yields

- If the insured chooses to no longer replace an eligible actual yield by the PRD, the post quality actual yield(s) will be used to calculate APH yields
- The AIP will not include the pre-quality yield in the data base should the insured choose to not replace actual yield(s); however, the AIP must include the
  - Option code of “QL”
  - Pre-Quality Total Production

Crop Hail Policy Changes

$10 Minimum Premium

A $10 minimum premium will apply on crop-hail and all other private product policies.

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Transit Losses

- Added a maximum limit to reasonable expenses for losses from transit
  - Added language shown in yellow

Losses from transit are limited to the amount of the insured crop you are unable to recover using prudent salvage methods, but include the reasonable expenses that you incur in such salvage recovery.

Reasonable expenses are subject to a maximum of the limit of insurance per acre of the insured crop.

Endorsement Changes

Wind Endorsement

- Added popcorn as an insured crop. Popcorn was previously excluded from coverage

Companion Plan w/ Wind Endorsement

- Added popcorn as an insured crop. Popcorn was previously excluded from coverage

Stored Grain Endorsement

- Added an exclusion: No coverage for damage caused directly or indirectly by rodents, birds, animals, vermin, virus, fungus or other diseases
- Added a maximum limit to reasonable expenses for losses from transit
- Grain bag coverage added to stored grain endorsement