

2002 Wheat - CropRevenue Coverage (CRC) Underwriting Rules

1. CRC calculates premiums charged annually for the insurance at the applicable CRC rates for the current crop year. The CRC premium is based upon the CRC Base Rate, CRC High Price Factor, CRC Low Price Factor, Base Premium Rate, CRC Base Price, and any other applicable factors found in the CRC Actuarial Documents. It also includes the Application, Approved Yield, and an Acreage Report submitted by the insured to the insurance company. The company will invoice the insured on a date specified in the Special Provisions of the Actuarial Documents for the total actual premium and administrative fee(s). The producer must pay an administrative fee each crop year of \$30 per crop per county. The company will invoice the insured on a date specified in the Special Provisions of the Actuarial Documents for the total actual premium and administrative fee(s).
2. CRC uses the **CropRevenue Coverage Continuous Rating Premium Calculation Guide** to estimate the producer-paid premium for insurable crop acreage.
3. The insured must submit a CRC application to the agent no later than the applicable sales closing date. The company must receive all timely dated applications within twenty (20) days of the sales closing date. The company will not accept and will return applications received more than twenty (20) days after the sales closing date. Clients requesting to change from other FCIC-subsidized coverage to CRC coverage must complete an application for CRC and attach a signed request to cancel the existing FCIC-subsidized coverage.
4. The CRC policy is a continuous policy and provides coverage for the succeeding crop year unless canceled by a time specified in the policy.
5. CRC serves as an alternative policy to other FCIC-subsidized coverages. Producers must insure all acreage of the specified crop in the county. High-Risk Land designations are insurable under CRC and rated according to the methodology contained in the **CropRevenue Coverage Continuous Rating Premium Calculation Guide**. The insured does have the option of excluding any high-risk ground from CRC coverage. This high-risk ground may be insured with an MPCl CAT policy with the same insurance provider. The insured must complete a High-Risk Exclusion form and CAT application for the high-risk ground by the sales closing date. Agents must submit these documents to the company within twenty (20) days of sales closing.
6. Written agreements may apply to CRC for **rating purposes**.

The insured must request a written agreement to insure acreage in counties without a CRC program, to receive a rate reduction on land classified as high-risk, or to receive a premium rate on unclassified land. Acreage in counties without CRC program may be insured using a written agreement only if the county without the CRC program adjoins a county with a CRC program for the applicable crop. The reinsured company will transmit the request to the appropriate RMA Regional Office (RO). To ensure the rates used are actuarially appropriate, the RO will determine, from the physical characteristics of the acreage, the farming practices to be used, the risks involved, and whether there is a similar situation in a county for which a CRC rate has been provided. If a similar situation exists in a county where a CRC program is available, the insured can obtain insurance with that CRC rate. If a similar situation does not exist, the request for a written agreement will be denied.

The applicable crop specified in any written agreement must be eligible for CRC coverage.

Each written agreement will be valid only for one crop year. If a written agreement is not specifically renewed the following year, insurance coverage for subsequent crop years will be in accordance with the printed policy.

7. **Written unit agreements** may apply to CRC for **unit division purposes**.

The insured must request Optional Units by written agreement to create Optional Units across section lines or from oversized units. The reinsured company will determine whether the acreage is located in a high-risk area and if so, the written agreement will be denied. The total acreage in the oversized section will be divided into parcels of not less than 640 acres each. Physical features such as canyons, lakes, rivers, mountains, or irrigated systems will be used to set the boundaries for the parcel. Each parcel will be considered to be a separate section for the purposes of determining Optional Units only. Such features must present a significant obstacle to farming and not be under the insured's control. Such written agreements must follow the guidelines for written unit agreements established by the Written Agreement Handbook (FCIC 24020).

8. The producer must report APH information by the earlier of forty-five (45) days after the cancellation date or the acreage reporting date to establish yield information and unit structure. The Special Provisions of the current crop year's Actuarial Documents shows the applicable acreage reporting date.
9. CRC is an insurance program that guarantees a stated amount of revenue called the Final Guarantee. CRC covers revenue losses due to a low price, low yield, or any combination of the two. Since the protection of producer revenue is the primary objective of CRC, it contains provisions addressing both yield and price risks. Five key variables are Approved Yield, Coverage Level Percentage, Base Price, Harvest Price, and Production to Count.
10. CRC's **Approved Yield** is the historical average amount of production per acre in the insured unit. It uses the producer's production records or yields assigned by the Federal Crop Insurance Corporation (FCIC). We use at least four crop years of yields to obtain the Approved Yield.
11. The available CRC **Coverage Level Percentages** are 50%, 55%, 60%, 65%, 70%, 75%, 80% and 85%. The Actuarial Documents identify the applicable crops and counties where 80% and 85% options are available.
12. CRC defines the **Base Price** for each wheat crop and state using the following methodology:

Winter Wheat - (Insured as winter wheat), Chicago Board of Trade (CBOT)

Alabama, Georgia, Illinois, Indiana, Kentucky, Louisiana, Michigan, Mississippi, Missouri, North Carolina, Ohio, South Carolina, Tennessee, Virginia, and Wisconsin

Base Price (CBOT) - The August 15 to September 14 pre-harvest year's average daily settlement price for the harvest year's CBOT July soft red winter wheat futures contract rounded to the nearest whole cent. The Base Price will be released as an actuarial document addendum by September 20 of the pre-harvest year.

Winter Wheat - (Insured as winter wheat), Kansas City Board of Trade (KCBOT)

Arizona, Arkansas, Colorado, Iowa, Kansas, Montana, Nebraska, New Mexico, Oklahoma, South Dakota, Texas, and Wyoming

Base Price (KCBOT) - The August 15 to September 14 pre-harvest year's average daily settlement price for the harvest year's KCBOT July hard red winter wheat futures contract rounded to the nearest whole cent. The Base Price will be released as an actuarial document addendum by September 20 of the pre-harvest year.

Spring Wheat - (Insured as spring wheat in counties with a 3/15 cancellation date, Minneapolis Grain Exchange (MGE)

Colorado, Minnesota, Montana, North Dakota, South Dakota, and Wyoming

Base Price (MGE) - The February harvest year's average daily settlement price for the harvest year's MGE September hard red spring wheat futures contract rounded to the nearest whole cent. The Base Price will be released as an actuarial document addendum by March 10 of the harvest year.

Spring Wheat - (Insured as spring wheat in counties with a 9/30 cancellation date), (KCBOT/MGE)

Colorado, Iowa, Montana, South Dakota, Wisconsin, and Wyoming

Base Price (KCBOT) - The August 15 to September 14 pre-harvest year's average daily settlement price for the harvest year's KCBOT July hard red winter wheat futures contract rounded to the nearest whole cent. The Base Price will be released as an actuarial document addendum by September 20 of the pre-harvest year.

Wheat - Portland Grain Exchange (PGE)

California, Idaho, Nevada, Oregon, Utah, and Washington

Base Price (PGE) - The Portland Price equals the August 15 to September 14 pre-harvest year's average daily settlement price for the harvest year's CBOT September soft red winter wheat futures contract (rounded to the nearest whole cent) **plus an adjustment equal to** the current five-year average difference between the August average daily settlement price for the nearby CBOT September soft red winter wheat futures contract (rounded to the nearest whole cent) and the August average daily settlement price for the PGE soft white wheat contract (rounded to the nearest whole cent). The Base Price will be released as an actuarial document addendum by September 20 of the pre-harvest year.

13. CRC defines the **Harvest Price** for each wheat crop and state using the following methodology:
(The Harvest Price **IS NOT** the price a producer receives for his crop at the local elevator.)

Winter Wheat - (Insured as winter wheat), (CBOT)

Illinois, Indiana, Michigan, Ohio, and Wisconsin

Harvest Price (CBOT) - The July 15 to August 14 harvest year's average daily settlement price for the harvest year's CBOT September soft red winter wheat futures contract rounded to the nearest whole cent. The Harvest Price cannot be less than the Base Price minus two dollars (\$2.00), or greater than the Base Price plus two dollars (\$2.00). The Harvest Price will be released as an actuarial document addendum by August 20 of the harvest year.

Winter Wheat - (Insured as winter wheat), (CBOT)

Alabama, Georgia, Kentucky, Louisiana, Mississippi, Missouri, North Carolina, South Carolina, Tennessee, and Virginia

Harvest Price (CBOT) - The June harvest year's average daily settlement price for the harvest year's CBOT July soft red winter wheat futures contract rounded to the nearest whole cent. The Harvest Price cannot be less than the Base Price minus two dollars (\$2.00), or greater than the Base Price plus two dollars (\$2.00). The Harvest Price will be released as an actuarial document addendum by July 10 of the harvest year.

Winter Wheat - (Insured as winter wheat), (KCBOT)

Iowa, Montana, Nebraska, South Dakota, and Wyoming

Harvest Price (KCBOT) - The July 15 to August 14 harvest year's average daily settlement price for the harvest year's KCBOT September hard red winter wheat futures contract rounded to the nearest whole cent. The Harvest Price cannot be less than the Base Price minus two dollars (\$2.00), or greater than the Base Price plus two dollars (\$2.00). The Harvest Price will be released as an actuarial document addendum by August 20 of the harvest year.

Winter Wheat - (Insured as winter wheat), (KCBOT)

Arizona, Arkansas, Colorado, Kansas, New Mexico, Oklahoma, and Texas

Harvest Price (KCBOT) - The June harvest year's average daily settlement price for the harvest year's KCBOT July hard red winter wheat futures contract rounded to the nearest whole cent. The Harvest Price cannot be less than the Base Price minus two dollars (\$2.00), or greater than the Base Price plus two dollars (\$2.00). The Harvest Price will be released as an actuarial document addendum by July 10 of the harvest year.

Spring Wheat - (Insured as spring wheat), (MGE)

Colorado, Iowa, Minnesota, Montana, North Dakota, South Dakota, Wisconsin, and Wyoming

Harvest Price (MGE) - The August harvest year's average daily settlement price for the harvest year's MGE September hard red spring wheat futures contract rounded to the nearest whole cent. The Harvest Price cannot be less than the Base Price minus two dollars (\$2.00), or greater than the Base Price plus two dollars (\$2.00). The Harvest Price will be released as an actuarial document addendum by September 10 of the harvest year.

Wheat - (PGE)

California, Idaho, Nevada, Oregon, Utah, and Washington

Harvest Price (PGE) - The August harvest year's average daily settlement price for the PGE soft white wheat contract rounded to the nearest whole cent. The Harvest Price cannot be less than the Base Price minus two dollars (\$2.00), or greater than the Base Price plus two dollars (\$2.00). The Harvest Price will be released as an actuarial document addendum by September 10 of the harvest year.

14. CRC defines the **Final Guarantee** as the number of dollars guaranteed per acre. The Final Guarantee is the greater of the Minimum or Harvest Guarantees, defined as follows:

- (1) **Minimum Guarantee** - The Approved Yield per acre, multiplied by the Base Price, multiplied by the selected coverage level percentage.
- (2) **Harvest Guarantee** - The Approved Yield per acre, multiplied by the Harvest Price, multiplied by the selected coverage level percentage.

15. **Production to Count** equals harvested and appraised production from the insured acreage as outlined in the CRC Wheat Crop Provisions. Production to Count may also include quality adjustments described in the CRC Wheat Crop Provisions and special provisions.

16. CRC determines **Calculated Revenue** by multiplying the producer's Production to Count for the unit times the Harvest Price. Remembering that Calculated Revenue uses the CRC Harvest Price and **not** the price a producer might receive for the crop at the local elevator is very important. Calculated Revenue counts against the producer's Final Guarantee in determining indemnity payments.
17. A Crop *Revenue* Coverage loss occurs if the Calculated Revenue is less than the Final Guarantee. The resulting difference equals the CRC loss payment.
18. Producers may select Basic, Optional, or Enterprise Units based upon their farming operation.

A **Basic Unit** includes all insurable acreage of the insured crop in the county in which the producer has a 100% share **OR** that is owned by one entity and farmed by the producer on a share basis. For example, a producer may farm owned land in addition to rented land owned by five different landlords. Three of the renting arrangements are on a crop share basis. The other two renting arrangements are on a cash basis. Under these conditions, our example producer would have four Basic Units. One unit includes all acreage that the producer owns and rents on a cash basis. In addition, each of the three crop share renting arrangements forms a separate Basic Unit that includes the applicable acreage. Each of these Basic Units has its own Final Guarantee per acre and the producer must keep separate production records for each Basic Unit as a result.

A Basic Unit may be separated into **Optional Units** if the resulting Optional Units are found in different sections, section equivalents, or FSA farm serial numbers. Also, a Basic Unit may be separated into Optional Units by irrigated or non-irrigated practices. Any Optional Unit must have separate and verifiable production records because each Optional Unit has its own Final Guarantee per acre.

An **Enterprise Unit** consists of all insurable acreage of the insured crop in which the grower has a share in the county. The following restrictions apply to Enterprise Units:

- (1) The Enterprise Unit must contain 50 or more acres.
- (2) The acreage that comprises the Enterprise Unit must also qualify:
 - (a) For two or more Basic Units of the same insured crop that are located in two or more separate sections, section equivalents, or FSA farm serial numbers; **OR**
 - (b) For two or more Optional Units of the same insured crop established by separate sections, section equivalents, or FSA farm serial numbers.
- (3) The qualifying Basic Units or Optional Units that comprise the Enterprise Unit must each have insurable acreage of the same crop in the crop year insured.
- (4) The grower must comply with all reporting requirements and regulations for the Basic Units and/or Optional Units comprising the Enterprise Unit. More specifically, the grower may maintain and submit the same records as in the past. Those records must show that the grower qualifies for at least two Basic or Optional Units of the same insured crop as outlined above.
- (5) The producer must select the Enterprise Unit structure in writing by the sales closing date. Producers may do this in the "options" section of the CRC application in the initial crop year or on a policy change form each subsequent crop year. Once selected, the producer's Enterprise Unit structure will remain in effect unless the insurance company is notified, in writing by the sales closing date, that the producer wishes to change unit structure.
- (6) If a grower does not qualify for an Enterprise Unit when the acreage is reported, we will assign the Basic Unit structure.
- (7) If a grower selects and qualifies for an Enterprise Unit, then he will qualify for a premium discount based on the insured crop and number of acres in the Enterprise Unit. The Wheat CRC Enterprise Unit Discount Factors are as follows:

Acres	Enterprise Unit Discount Factor
50 - 499	0.93
500 - 999	0.87
1000+	0.83

These factors must be used in conjunction with a BUD (Basic Unit Discount) option factor to calculate the correct enterprise unit premium.

- (8) If a grower selects the Enterprise Unit structure, then the Basic or Optional Units comprising the Enterprise Unit will retain separate Final Guarantees. Each acre within the Enterprise Unit will have the same Final Guarantee as it would have had under the Basic or Optional Unit structure. However, CRC pays losses at the Enterprise Unit level. For example, an Optional Unit within the Enterprise Unit may have a Calculated Revenue that is less than its Final Guarantee. CRC would pay this loss under the Optional Unit structure. However, under the Enterprise Unit structure, Calculated Revenue surpluses from the other Optional or Basic Units within the Enterprise Unit may offset this loss. The following example illustrates this fact:

Enterprise Unit 0100

Line	APH	Base Price	Harvest Price	Acres	Cov. Lev.	Final Guar.	Prod. To Count Per Acre	Calc. Rev.	Share	Share Adj. Loss (+/-)
1	50 bu	\$3.98/bu	\$3.46/bu	240	.65	\$31,044	25 bu	\$20,760	1.00	+\$10,284
2	55 bu	\$3.98/bu	\$3.46/bu	180	.65	\$25,611	58 bu	\$36,122	1.00	-\$10,511
3	48 bu	\$3.98/bu	\$3.46/bu	200	.65	\$24,835	50 bu	\$34,600	0.50	-\$4,883

Enterprise Unit 0100 is composed of two Optional Units (Lines 1 and 2) and one Basic Unit (Line 3) in the above example. As shown, Line 1 (Optional Unit 0101) has a share adjusted loss that equals **\$10,284**. Also, Lines 2 and 3 (Optional Unit 0102 and Basic Unit 0200 respectively) have share adjusted losses that equal **-\$10,511** and **-\$4,883** respectively. More precisely, Lines 2 and 3 have *negative losses* or surpluses. Under the Optional Unit structure, CRC would have paid Optional Unit 0101 \$10,284. The other two units would have received no payment.

The two Optional Units and one Basic Unit become lines 1, 2, and 3 respectively within Enterprise Unit 0100. As stated before, those Lines retain the Final Guarantees that would have applied under the Optional or Basic Unit structure. However, CRC combines the share adjusted losses under the Enterprise Unit structure. As a result, Enterprise Unit 0100 has a net share adjusted loss that equals **-\$5,110** (the calculation is $+\$10,284 + -\$10,511 + -\$4,883$). A negative net share adjusted loss means that there would be no indemnity payment in this example. The farmer would receive no indemnity for Line 1's loss because of the offsetting surplus Calculated Revenues from Lines 2 and 3 applied under Enterprise Units.

19. If an indemnity payment is due under a *Crop Revenue Coverage* policy, CRC will pay as follows:

If we do not know the Harvest Guarantee at the time a loss is determined, then CRC pays losses in two segments.

- (1) First, CRC pays an initial indemnity based upon the Minimum Guarantee.
- (2) Second, once we know the Harvest Guarantee and if it is greater than the Minimum Guarantee, CRC recalculates the indemnity payment and pays the additional indemnity due.

If we know the Harvest Guarantee at the time a loss is determined, then CRC will pay losses based upon the Final Guarantee. The Final Guarantee is the greater of the Minimum or Harvest Guarantees.

We can only complete losses after the Harvest Price and Production to Count have been determined according to the policy and loss adjustment procedures established or approved by FCIC.

20. Once FCIC publishes a Harvest Price, the company may set a crop yield point for each insured unit that will trigger a revenue loss payment. The company may publish the methodology that calculates the *Trigger Yield* with an explanation of the proper procedures to follow for claim payment.
21. In addition to complying with all other loss notice requirements as outlined in the policy provisions, the producer must submit a claim for indemnity not later than 60 days after the Harvest Price is released declaring the amount of loss and including all information required to settle a claim. This information includes complete harvesting and marketing records for the wheat by unit, including separate records showing the same information for any production not insured. On or before the production reporting date, the producer must submit to the company a production report to determine the actual production history yield for each unit of wheat for the following crop year.
22. CRC's **Late Planting** provisions cover acres of the insured crop that the producer plants during the late planting period. The late planting period begins the day after the final planting date for the insured crop and ends 25 days after the final planting date. We will reduce the Final Guarantee for each acre planted during the late planting period by 1 percent per day for each day planted after the final planting date.

CRC's basic **Prevented Planting** coverage for prevented planting acreage equals 60 percent of the Final Guarantee for the acreage if the producer timely planted the crop. However, in return for an additional premium, the producer may increase his prevented planting coverage to 65% or 70% of the Final Guarantee as specified in the actuarial documents.

CRC offers **Replanting** Coverage if the replanted acreage includes at least the lesser of 20 acres or 20 percent of the insured planted acreage for the entire unit. Also, the damage must show that the remaining stand will not produce at least 90 percent of the Minimum Guarantee for the affected acreage. The maximum replant payment per acre is the lesser of 20 percent of the Minimum Guarantee for the affected acreage, or 3 bushels multiplied by the Base Price, multiplied by the producer's insured share.

23. Any producer eligible for MPCl coverage is eligible for CRC coverage subject to the additional items below:
- (1) The crop must be eligible for CRC coverage.
 - (2) The insured crop must be found in states that we have included in our FCIC-approved Standard Reinsurance Agreement (SRA) for the Crop *Revenue* Coverage program.
24. CRC offers:
- (1) NO hail and fire exclusion.
 - (2) NO discount for good experience. The company maintains all MPCl good experience discount records for each producer and they apply again if the producer selects MPCl in the future.
25. A producer can have other FCIC-subsidized coverage on crops not currently eligible for CRC and still carry CRC on crops that are eligible. These policies will have two prefixes (CRC & MP), but only one common number. Policies with only CRC crops will have a CRC prefix.
26. CRC bases premiums upon the Base Price and subsequent Minimum Guarantee. These premiums can only change if the company makes APH or acreage corrections.
27. Premiums for CRC are earned and payable when coverage begins. The company bills premiums for CRC on dates contained in the Actuarial Documents.
28. A producer must submit a separate CRC application for each county or all counties may be insured on one application if so designated.
29. CRC provides coverage for the succeeding crop year, unless canceled by a time specified in the policy.
30. Option A and Option B of the Winter Wheat Coverage Endorsement are available in the applicable states with counties using both fall and spring final planting dates.
31. Whenever the Special Provisions designate only a spring final planting date, any acreage of fall planted wheat is not insured unless the producer requests such coverage and we agree in writing that the acreage has an adequate stand in the spring to produce the yield used to determine the Final Guarantee. Insurance will then attach to acreage having an adequate stand, **under the CRC wheat policy terms, rates, and prices applicable to spring wheat**, on the earlier of the spring final planting date or the date we agree to accept the acreage for insurance. If such fall planted acreage is not to be insured it must be recorded on the acreage report as an uninsured fall planted crop.