Rainfall Index Plan - Annual Forage (RI-AF)

Talk to an RCIS crop insurance agent today.

Annual forage is covered under the Rainfall Index (RI) plan of insurance. It's designed as a risk management tool for producers relying on annual forage for haying, grazing or feeding domestic animals, and whose crop production tends to follow average rainfall patterns.

OVERVIEW

The RI plan of insurance covers lack of precipitation. The index amounts are based on National Oceanic and Atmospheric Administration (NOAA) Climate Prediction Center (CPC) data and reflect how much precipitation is received relative to the long-term average for a specified area and timeframe.

Indemnities are not based on individual crop production. It is possible for a policyholder to have low crop production on insured acreage, and still not receive an indemnity under the RI plan of insurance.

GRID IDS

The RI plan uses a numbered grid system that doesn't follow state, county, or other geopolitical boundaries. Each grid is assigned a specific grid ID and is individually rated based on the NOAA CPC historical precipitation data for that area.

Grid IDs are used to determine the coverage, premium rate, and any indemnities.

IMPORTANT DATE

Sales Closing Date:

July 15

ANNUAL FORAGE vs. PRF

Annual forage and Pasture, Rangeland, Forage (PRF) are two different commodities insured under the Rainfall Index plan. The major difference is that annual forage coverage is for forage planted annually, and PRF coverage is for perennial forage plants. Although you can have both policies, you cannot insure the same acreage on an annual forage policy and PRF policy.

GROWING SEASONS

Annual forage has twelve growing seasons. The growing season is based on the annual forage plant date.

Growing Season	Annual forage acreage planted
1	August
2	September
3	October
4	November
5	December
6	January
7	February
8	March
9	April
10	May
11	June
12	July

You may plant and insure annual forage in any growing season, unless the special provisions specify otherwise; however, an insured cannot plant and insure the same acreage in a growing season with the same index intervals.

For example, acreage planted in August, growing season 1 (would include the last index of February-March), would not be eligible to be planted again until February, growing season 7 (March-April first index interval).

Decision Support Tools for Quoting

The Risk Management Agency (RMA) provides decision support tools and historical rainfall indices to evaluate historical data, and compare coverage options for a particular area. The tools are available through the RMA website.

The RCIS *CIQuote*SM system also offers the Rainfall Index Indemnity Analysis tool, to support your RCIS agent with quoting, and help with analyzing your particular needs.

LOSS EXAMPLE

Determining the Index Amounts

After the expected grid index, final grid index, and trigger index is calculated, it can be determined if the policyholder qualifies for an indemnity, and then the indemnity amount can be calculated.

Indemnity Calculation

There are no loss adjustment activities for annual forage. The expected, final and trigger grid index amounts are used to determine the loss for the grid area and the indemnity payment. An indemnity payment is determined when the final grid index is less than the rigger grid index for the grid ID and index interval.

Indemnity Payment Factor Calculation

(Insured's trigger grid index – final grid index)

÷ Insured's trigger grid index

Indemnity payment calculation factor

Indemnity Calculation

RMA releases a Product Management Bulletin after the end of the index interval to provide notification of the final grid indices and payment calculation factors for a set of index intervals.

Indemnity Calculation, *cont.*

Any indemnity payments due are issued no later than 60 days following the date RMA publishes the final grid index for the grid ID and applicable index interval.

Indemnity payment calculation factor

Policy protection per unit (dollar amount of protection per

x acre × acres × index interval percent of value × insured's share)

Indemnity payment per unit

Example - Indemnity Payment

This example provides different final grid indices and the resulting indemnities, if any, for grid ID 24723. The trigger grid index is 90% (1.000 expected grid index × 0.90 coverage level). FCIC publishes a final grid index of the following for each index interval.

Index Interval	Final Grid Index for Grid ID 24723
633 (Sep-Oct)	120%
635 (Nov-Dec)	90%
625 (Jan-Feb)	85%

The indemnity is calculated as follows:

Index Interval	Indemnity Calculation
633 (Sep-Oct)	The final grid index (120%) is above the policyholder's trigger grid index (90%); therefore, no indemnity payment is due.
635 (Nov-Dec)	The final grid index (90%) is equal to the policyholder's trigger grid index (90%); therefore, no indemnity is due for those units.
625 (Jan-Feb)	The final grid index (85%) is below the policyholder's trigger grid index (90%); therefore, he is eligible for an indemnity payment for those units. The payment calculation factor is 0.056([0.90-0.85] ÷ 0.90).
	For the 100 acres in grid ID 24723, the indemnity amount is $323 (0.56 payment calculation factor x $4,137 policy protection per unit [$206.85 dollar amount of protection per acre x 100 acres x 0.20 percent of value x 1.000 share])

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