

# 2016 PRF Payment Calculation Factor AND Indemnity Payment



*Oct. 2015*



## PRF Rainfall Index Insurance Program: General Principles

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- Each grid's Rainfall Index is normalized so that the value of 100 represents average rainfall.
- A producer will receive an indemnity payment when the Rainfall Index value for the grid falls below 100, minus deductible, in each index interval which the producer has chosen to insure.

Ex: {100 – 10% (90% coverage level)}

A producer will receive an indemnity payment when the rainfall index for the grid falls below 100 minus the deductible.

## **PRF Rainfall Index Insurance Program: Implementation**

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The crop year PRFRI in is divided into 11 periods referred to as the “index intervals.” These intervals are:

Jan 1 through Feb 28	Feb 1 through March 31
Mar 1 through Apr 30	Apr 1 through May 31
May 1 through June 30	Jun 1 through July 31
July 1 through Aug 31	Aug 1 through Sep 30
Sep 1 through Oct 31	Oct 1 through Nov 30
Nov 1 through Dec 31	

A producer must select at least two intervals for insuring forage production on the hayland and/or pasture/grazing land to be covered in each grid.

At least 10% and no more than 70% of the total insured acres can be insured in any single interval.

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The PRF Rainfall Index program is divided into 11 periods referred to as the “Index Intervals”. Producers must select at least 2 intervals for insuring pasture or hay land with at least 10% and no more than 70% of the total insured acres insured in any single interval.

## **PRF Rainfall Index Insurance Program: Amount of Insurance**

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### **County Base Value:**

The production value of pasture/grazingland or hayland forage production in a county (determined by RMA for each county).

### **Coverage Level:**

The percentage of the county base value chosen by the producer for insurance coverage on forage production.

- A producer may choose a coverage level of 70, 75, 80, 85 or 90 percent.
- Producers must insure each grid in the same county at the same coverage level.

CAT coverage is not available for the PRFRI, but a producer may also acquire NAP coverage from the USDA Farm Service Agency.

Each county has a base value for hayland and pasture. A level of coverage is determined by the producer who can select a coverage level of 70% to 90% of the base value. CAT coverage is not available for the PRFRI program.

## PRF Rainfall Index Insurance Program: Amount of Insurance

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Pasture & hayland have different county base values.

The 2016 base value for **hayland** is **\$287.00** in all New York counties

The 2016 base value for **pasture** is \$72.00 in all New York counties

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Pasture and hayland have different county base values. The 2015 base value for hayland is \$270.27 and the base value for pasture ranges from a low of \$41.53 to a high of \$59.86.

# PRF Rainfall Index Insurance Program

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**Productivity Factor:**

A percentage between 60 and 150 percent chosen by the insured producer to reflect their individual operation's forage value relative to the county base value (influences how **much** you will be paid).

**Producer Share:**

The operator's crop ownership share of the forage production.

Producers may select coverage levels and productivity factors to reflect the forage production value of the acreage they are insuring.

Coverage factor influences how **often** you will be paid.

A productivity factor between 60% and 150% can be chosen by the insured producer to reflect their individual operation's forage value relative to the county base value.

## PRF Rainfall Index Insurance Program: Indemnities

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Indemnities are paid when the grid's average Rainfall Index for a specific interval is lower, less than 100 - deductible.

The Expected GRID Index for each interval is established by the Risk Management Agency using historical data on precipitation for that interval and always equals 100.

The Expected Grid Index is therefore known to a producer prior to the **November 15** sales closing date.

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Indemnities are paid when the grid' average is lower than 100 minus the deductible. Producers can examine the historic grid's rainfall values on the web site noted above.

## **PRF Rainfall Index Insurance Program: Indemnities**

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- The Final Grid Index Value for a specific interval is determined by the Federal Crop Insurance Corporation using the NOAA actual rainfall determination for the grid during the interval.
- A rainfall index value of 100 represents the average value for the index in the interval of interest.
- A rainfall index value of less than 100 represents a lower than average value for that interval.
- The Final Grid Index Value for an interval can only be calculated after the end of the interval.

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The final grid index value for each specific interval is determined by the RMA using NOAA data after the end of the interval. Indemnity payments, if any, are determined at that time.

## PRF Rainfall Index Insurance Program: Indemnities

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The Trigger Grid Index = 100 x the coverage level (selected by the producer).

An indemnity payment is made if the Final Grid Index (determined by RMA) is less than the Trigger Grid Index.

Indemnity payment = Policy Protection per Unit x Payment Calculation Factor (PCF).

Rainfall And Vegetation Index Plan Coverage Policy (13-RIVI)  
Section 8.(b) " For the purpose of calculating an indemnity payment for each unit, your payment calculation factor will be:"

$PCF = [\text{Trigger Grid Index} - \text{Final Grid Index}] / \text{Trigger Grid Index}.$

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The Trigger Grid Index = 100 X the coverage level. An indemnity payment is made if the Final Grid Index is lower than the Trigger Grid Index.

**PRFVI Insurance Program:**  
Hayland Example in Tompkins County Grid #27215

<b>Contract Data</b>	<b>Selected Value</b>	<b>Procedure</b>
County Base Value (CBV)	\$287.00	This hayland value is established by RMA .
Productivity Factor (PF)	110%	The producer chooses a value in the range of 60 to 150% of the county base value (CBV)
Coverage Level (CL)	90%	The producer chooses one of the following: 70, 75, 80, 85 or 90 percent.
Dollar Amount of Coverage (100 Acres)	\$28,413.00	$\$287.00 \times 1.10 \times 0.90 \times 100$ Acres (CBV x PR x CL)
Grid # 27216 Feb-Mar, Apr-May Jun-Jul, Aug-Sep	25% Each Interval 25% Each Interval	The grid number is assigned by RMA using the point of reference provided by the producer. (Total Acres insured 100)
Unit Protection Feb-Mar, Apr-May Jun-Jul, Aug, Sep	\$7,103.00 Each Interval	$\$28,413.00 \times 25\% = \$7,103.00$

This is an example of how the unit protection is determined and how a premium and indemnity payment is calculated for hayland in Tompkins County, Grid # 27216. The 2016 county base value is \$287.00 and the producer selected 110% productivity Factor and 90% coverage level. The dollar amount of protection is \$28,413.00( $\$287.00 \times 1.10 \times .90 \times 100$  Acres). The producer is insuring 100 acres of hayland, 25% in the Feb-Mar, Apr-May, Jun-Jul, Aug-Sep intervals. The unit protection for each interval is \$7,103.25(  $\$287.00 \times 25\% \times 100\%$  share).

## Indemnity Payment Calculation

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**Feb-Mar** Final Grid Index = **212.6%**: No Indemnity payment

**Apr-May** Final Grid Index = 61%: The payment calculation factor for this interval is determined by subtracting the Final Grid Index from the Trigger Index and dividing the difference by the Trigger Index.

PCF = [Trigger Grid Index – Final Grid Index]/ Trigger Grid Index.

$$(90 - 61) = 29$$

$$29 / 90 = 0.33 \times \$7,103.00 = \$2,344.00 \text{ Indemnity Payment}$$

**Jun-Jul** Final Grid Index is 52%

$$90 - 52 = 38$$

$$38/90 = 0.43 \times 7,103.00 = \$3,054.00 \text{ Indemnity Payment}$$

**Aug-Sep** Final Grid Index = 122.0%: No Indemnity Payment

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There is no indemnity payment for the Jun-Jul interval because the final grid index was above the trigger index (90). The payment calculation factor for the Feb-Mar interval is determined by subtracting the final grid index from the trigger index and dividing the difference by the trigger index. The indemnity payment is then determined by multiplying the policy protection for the interval times the payment calculation factor.

## Producer Premium

- Feb - Mar \$316.00
- Apr - May \$324.00
- Jun - Jul \$325.00
- Aug - Sep \$303.00
- Total \$1,268.00

## Additional Information

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### **USDA Risk Management Agency (RMA)**

[www.rma.usda.gov/](http://www.rma.usda.gov/)

To find a crop insurance agent, go to

[www.rma.usda.gov/tools/agent.html](http://www.rma.usda.gov/tools/agent.html)



Risk Management Agency  
*This institution is an equal  
opportunity provider.*

### **NYS Department of Agriculture and Markets**

Crop Insurance & Risk Management Education

[www.agriculture.ny.gov/AP/CropInsurance.html](http://www.agriculture.ny.gov/AP/CropInsurance.html)

**1-800-554-4501**



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