2016 PRF Payment Calculation Factor AND Indemnity Payment

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NEW YORK STATE Agriculture and Markets
A producer will receive an indemnity payment when the rainfall index for the grid falls below 100 minus the deductible.
The PRF Rainfall Index program is divided into 11 periods referred to as the “Index Intervals.” These intervals are:

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

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.

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.
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

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.
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.
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 (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.
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.

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.
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.
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. (h) "For the purpose of calculating an indemnity payment for each unit, your payment calculation factor will be:"

PCF = (Trigger Grid Index – Final Grid Index) / Trigger Grid Index.

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.
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 X 1.10 X .90 X 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 X 25% X 100% share).
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

USDA Risk Management Agency (RMA)
www.rma.usda.gov/
To find a crop insurance agent, go to
www.rma.usda.gov/tools/agent.html

NYS Department of Agriculture and Markets
Crop Insurance & Risk Management Education
www.agriculture.ny.gov/AP/CropInsurance.html
1-800-554-4501
The alternative to having crop insurance.