

GLOSSARY

Crop Insurance Terminology

Actual County Yield

The actual county yield is the per acre yield from a county. County yields are reported by the National Agricultural Statistical Service.

Actual Yield

The actual yield is the per acre yield produced by a unit. Actual yield usually is determined at harvest. Warehouse receipts and bin measurements can be used to document actual yield.

Actual Production History (APH) Yield

The APH yield is based on a history of yields from a unit. The APH yield is used to determine insurance guarantees. It is determined by averaging at least four consecutive yields from a unit. If four consecutive yields are not available, transition yields are used in the calculation of APH yield. Up to ten years of yields are used in determining APH yield.

Base Price

Base prices are averages of settlement prices of Chicago Board of Trade (CBOT) futures contracts during the month of February. For corn, the December contract is used. For soybeans, the November contract is used. The base price is used to calculate revenue guarantees for revenue insurance products.

Basic Unit

A basic unit consists of all farmland owned or cash rented in a county that is planted to the same crop. A basic unit also exists for all farmland rented under a share-rental arrangement from the same landlord that is planted in the same crop.

Casualty

Casualty is injury, loss or destruction of a crop or other farm commodity due to natural or unforeseen events.

CAT's Indemnity Price

Under CAT, the payment made by an insurance product (indemnity price) equals 55 percent of the FCIC price.

Coverage Level

Coverage levels are elections made by farmers when purchasing revenue insurance products. Coverage levels are used to calculate revenue guarantees.

Deductible Policy

A policy which specifies an amount that the insured is liable for before the insurance company will make payment on a claim.

Enterprise Unit

An enterprise unit consists of all a crop grown in a county. An enterprise unit is made up of one or more basic or optional units.

Expected County Yield

This yield is set for each crop that can be insured using Group Risk Plan (GRP) insurance. The expected county yield is used in calculating yield guarantees.

Expected Price

Expected prices are averages of settlement prices of Chicago Board of Trade (CBOT) futures contracts during the five business days prior to March 15th. For corn, the December contract is used. For soybeans, the November contract is used. The expected price is used to calculate revenue guarantees for Group Risk Income Plan (GRIP) insurance.

Federal Crop Insurance Corporation (FCIC) Price

It is the maximum price that yield losses can be insured at using an Actual Production History (APH) policy. The FCIC price is set each year.

Gross Revenue

This is a calculated amount of dollars used to determine indemnity payments for revenue insurance. For Income Protection, Revenue Assurance, and Crop Revenue Coverage, gross revenue equals actual yield times harvest price.

Harvest Price

This is the price used to calculate gross revenue for revenue insurance products. Under Crop Revenue Coverage, the harvest price is used to calculate the revenue guarantee.

The harvest price is determined by averaging CBOT futures contracts during the fall. For corn, the settlement prices for the December contract are averaged during November. For soybeans, the settlement prices for the November contract are averaged during October.

Indemnity or Indemnity Payment

Indemnity is a payment made by an insurance product. For yield insurance, indemnity payments occur when yield is below a yield guarantee. For revenue insurance, indemnity payments occur when revenue is below a revenue guarantee. Multiple peril crop insurance will also pay indemnities in other cases such as prevented plantings.

Loss Ratio

The loss ratio is a value measure of the payments made by an insurance company as compared to the premium collected for the coverage. A loss ratio greater than 1.0 indicates that more total dollars are being paid out than total premium collected.

Maximum Protection Level

The maximum level protection is a value set for each crop in each county where Group Risk Plan (GRP) insurance is available. This value is the maximum protection level available under GRP and Group Risk Income Plan (GRIP) insurance.

Optional Unit

Optional units are portions of a basic unit. When farmland is located in different township sections, the basic unit can be divided into optional units, with all farmland in each section constituting a separate optional unit. Optional units also may be designated for crops grown under different farming practices (e.g., irrigated and non-irrigated).

Premium

A premium is the dollar cost per acre of the insurance policy. The premium is paid by the farmer to the insurance company for coverage.

Protection Level

This is a percent coverage level chosen and purchased by a farmer for a premium. The protection level is used in determining indemnity payments for Group Risk Plan and Group Income Risk Plan insurance. A higher protection level results in a higher indemnity payment but also costs more to buy.

Reinsurance

Reinsurance is a procedure used by insurance companies to reduce outright risks associated with underwritten policies by spreading risks to other companies. It's like buying an insurance policy for an insurance policy.

Revenue

Revenue is income generated by the commercial activity of the farm business.

Revenue Guarantee

A revenue guarantee is determined for revenue products. Indemnity payments occur when gross revenue is below the revenue guarantee.

Subsidies

A subsidy is a grant of money by the federal government made to farm businesses in order to promote commercial enterprise or to protect the delivery system of food and fiber to the general economy.

Whole Farm Unit

A whole farm unit consists of all insured farmland in one county.

Yield Election

The yield election is a percentage ranging from 50 to 75 of APH yield chosen as a coverage level by the farmer. The yield election applies to APH and GRP insurance.

Yield Guarantee

The yield guarantee is a guaranteed percentage of APH yield. Indemnity payments occur when actual yield is below the yield guarantee.