



Crop Division

## Pasture, Rangeland and Forage

*An area based pilot program for pasture, rangeland and forage (PRF).*



for all the *great* you do®

## Our GREAT story



With **over 100 different crops insured**, we understand American Agriculture.



Today, we write policies in **over 40 states**.



Great American is the only **American Owned AIP** in the top 5.



We are backed by the strength of "A" or better rating by AM Best for **115 years or more**.



## What is PRF?

Precipitation is critical for farmers and ranchers. Without it they may be forced to sell livestock or purchase alternative feed stocks. PRF is an area plan of insurance intended to help mitigate those additional expenses associated with a lack of precipitation.

### How it Works

Unlike other federal crop area plans of insurance, which are based on county boundaries, the PRF program uses a grid system. Each day, the National Oceanic and Atmospheric Administration (NOAA) obtains precipitation data from reporting stations closest to the center of each grid, then interpolates the data across each grid. Losses are paid when a grid's accumulated index, or final grid index, falls below an insured's trigger grid index during an elected interval.

Intervals are two-month periods selected at sales closing, with a minimum of two intervals elected. Since PRF is an area-based plan of insurance it is possible to suffer a loss on an individual operation and not receive an indemnity payment. It is also possible to receive an indemnity payment and not suffer a loss on an individual operation.

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Grids

- Grids are approximately 17 by 17 mile areas of land established by NOAA.
- Grid boundaries do not follow state, county, or other geopolitical boundaries and are instead a measurement of degrees latitude and longitude.
- Each grid is numbered with a Grid ID, and growers must have insured acres physically located within a grid to select it on their PRF policy.

Coverage Elections

- Growers may insure all or a portion of their acres with an intended use of haying or grazing.
- Elect Coverage Levels from 70% to 90% and productivity Factors from 60% to 150%.



Index Intervals

Index Intervals are two-month periods elected for coverage. A minimum of two 2-month intervals must be elected per crop year and those intervals may not overlap.

**Percent of value** allows insureds with more than one unit to individualize their coverage. An insured may allocate a percentage of the total insured value to each selected index interval. Minimum and maximum allowed values apply. See actuarial documents. Index Intervals



 **Index Intervals Cannot Overlap**



 **Index Intervals Must Be Two Months**



 **Minimum of 2, No Overlapping Index Intervals**



 **Minimum of 2, No Overlapping Index Intervals**

## When are Indemnities Triggered

PRF Indemnities are triggered when the final grid index falls below an insured's trigger grid index. This happens when precipitation in a grid during an interval deviates from normal. It is important to note precipitation data collected by NOAA does not reflect precipitation on individual farms or ranches.

The below example calculates a PRF indemnity for an insured with 90% coverage and 120 productivity factor in a county with a \$40 base value and final grid index of .55. The grower has assigned a 60% value to this interval.

### Step 1: Calculate \$/acre of Protection.

$$\begin{array}{|c|} \hline \$40 \\ \hline \text{County} \\ \text{Base Value} \\ \hline \end{array} \times \begin{array}{|c|} \hline 90\% \\ \hline \text{Coverage} \\ \text{Level} \\ \hline \end{array} \times \begin{array}{|c|} \hline 120\% \\ \hline \text{Productivity} \\ \text{Factor} \\ \hline \end{array} = \begin{array}{|c|} \hline \$43.20 \\ \hline \text{\$/acre of} \\ \text{Protection} \\ \hline \end{array}$$

### Step 2: Calculate Trigger Grid Index.

$$\begin{array}{|c|} \hline 90\% \\ \hline \text{Coverage} \\ \text{Level} \\ \hline \end{array} \times \begin{array}{|c|} \hline .01 \\ \hline \end{array} = \begin{array}{|c|} \hline .90 \\ \hline \text{Trigger} \\ \text{Grid Index} \\ \hline \end{array}$$

If Trigger Grid Index *is greater than* Final Grid Index, proceed to Step 3.

If Trigger Grid Index *is less than or equal to* Final Grid Index there is no indemnity.

### Step 3: Calculate Payment Factor

$$\begin{array}{|c|} \hline .90 \\ \hline \text{Trigger} \\ \text{Grid Index} \\ \hline \end{array} - \begin{array}{|c|} \hline .55 \\ \hline \text{Final Grid} \\ \text{Index} \\ \hline \end{array} / \begin{array}{|c|} \hline .90 \\ \hline \text{Trigger} \\ \text{Grid Index} \\ \hline \end{array} = \begin{array}{|c|} \hline .389 \\ \hline \text{Payment} \\ \text{Factor} \\ \hline \end{array}$$

### Step 4: Calculate Indemnity Per Acre

$$\begin{array}{|c|} \hline .389 \\ \hline \text{Payment} \\ \text{Factor} \\ \hline \end{array} \times \begin{array}{|c|} \hline \$43.20 \\ \hline \text{\$/acre of} \\ \text{Protection} \\ \hline \end{array} \times \begin{array}{|c|} \hline 60\% \\ \hline \text{Percent of} \\ \text{Value} \\ \hline \end{array} = \begin{array}{|c|} \hline \$10.08 \\ \hline \text{\$/acre} \\ \text{Indemnity} \\ \hline \end{array}$$



## Important Dates:

**Sales Closing Date:** December 1

**Cancellation Date:** December 1

**Acreage Reporting Date:** December 1

**Premium Billing Date:** September 1

**Termination Date:** December 1

**End of Insurance Date:** December 31





Crop Division

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rating by AM Best

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