HUDSON INSURANCE GROUP®

MARGIN PROTECTION

FREQUENTLY ASKED QUESTIONS

RMA Updated - August 3, 2017

General Information Questions

Q: What is Margin Protection (MP)?

A: MP is an area-based insurance plan that provides coverage against an unexpected decrease in operating margin (revenue less input costs), caused by reduced county yields, reduced commodity prices, increased prices of certain inputs, or any combination of these perils. Because MP is area-based (average for a county), an individual farm may have a decrease in its margin but not receive an indemnity or vice-versa. In this respect, MP behaves in the same manner as coverage under Area Risk Protection Insurance (ARPI). As is the norm with most insurance policies, there will be no indemnity in many years.

Q: Where is MP available?

A: MP is available for corn, rice, soybeans, and wheat in select states and counties, as follows:

- **Rice:** Select counties in Arkansas, California, Louisiana, Mississippi, Missouri, and Texas;
- **Corn and Soybeans:** Select counties in Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, and Wisconsin; and
- **Wheat:** Select counties in Minnesota, Montana, North Dakota, and South Dakota (spring wheat (type 012) only.

Q: How and where do I purchase MP insurance?

A: MP is available for purchase from your local crop insurance agent. You can find a crop insurance agent using the Agent Locator tool on the Risk Management Agency (RMA) website at www.rma.usda.gov/tools/agent.html.

Q: What types of wheat are insurable under MP?

A: Spring wheat (type 012) is the only type presently insurable under MP.

Purchase Decision Questions

Q: What are the sales closing dates for MP?

A: The MP sales closing date for corn, soybeans, and spring wheat is September 30 of the calendar year prior to the insured crop year. The MP sales closing date for rice is January 31 of the crop year in some areas and February 28 in other areas. The MP sales closing date for rice is generally the same as the sales closing date for other rice policies. All sales closing dates are shown on the Actuarial Information Browser on RMA's website at: https://webapp.rma.usda.gov/apps/actuarialinformationbrowser2017/CropCriteria.aspx.

Q: Can I buy MP with another Federal reinsured crop insurance policy for the same crop?

A: In most cases, yes. You can buy MP and also buy a Yield Protection policy or a Revenue Protection policy (denoted as a base policy) on the same acreage. However, if you buy a base policy, you must purchase it from the same Approved Insurance Provider from which you purchased the MP policy. You may buy the base policy from any insurance agent or insurance agency – the only requirement is that the base policy must be issued by the same Approved Insurance Provider. If you buy a base policy you will receive a credit to your MP premium because indemnity payments from the base policy are used to offset indemnity payments from the MP policy. This combination reduces indemnity payments under MP in the long run. You may buy any optional coverages or endorsements available for the base policy except the High-Risk Alternate Coverage Endorsement and the Supplemental Coverage Option Endorsement.

Q: Can I buy MP and still buy other private crop insurance policies not reinsured by the Federal Crop Insurance Corporation (FCIC)?

A: Yes. MP does not restrict you from purchasing any private crop insurance policy that FCIC does not reinsure such as crop-hail, a non-reinsured supplemental policy, or similar non-Federal offerings. Any payments from these programs are NOT counted in the determination of indemnity under the MP plan.

Q: Can I buy a Revenue or Yield Protection policy (Base Policy) at the CAT coverage level if I buy MP?

A: Yes. However, the amount of premium credit you will receive for that base policy will be smaller than if you choose a higher coverage level. This question does not apply to RP base policies, because CAT coverage is not offered for RP plans.

Q: Must I have a loss under my base policy before I can have a loss under my MP policy?

A: No. Losses are determined independently. You may have a loss under your base policy but not under your MP policy, or a loss under your MP policy but not your base policy, a loss under both, or no loss under either policy (most likely scenario). If you receive an indemnity for a yield or revenue loss under your base policy, this will be considered in determining the amount of your MP indemnity owed.

Q: Can the coverage levels vary by type and practice?

A: Yes, you may choose any coverage level shown on the actuarial documents for each crop, type and practice.

Q: What is Margin Protection with the Harvest Price Option?

A: The Harvest Price Option allows you to include replacement cost coverage under the MP policy. Similar to many popular revenue-based policies, if the harvest price is greater than the projected price, the expected margin and the trigger margin are recalculated based on the higher harvest price.

Q: I presently have a revenue protection (or yield protection) policy with one Approved Insurance Provider (Provider) but I will purchase MP from another Provider. When must the base policy be transferred to the Provider who issues the MP policy?

A: You must complete the proper documentation to transfer your base policy on or before the sales closing date for MP. The transfer needs to be effective for the same crop year as your MP policy. For example, assume you have a Revenue Protection policy issued by Provider A on your corn crop for the 2017 crop year. You purchase MP from Provider B for the 2018 crop year on or before the MP sales closing date, which is September 30, 2017. The MP policy will be effective for the 2018 crop year. You must complete the form to transfer your Revenue Protection policy to the new Provider B on or before September 30, 2017. The transfer will be effective for the 2018 crop year. Provider A will continue to service your corn policy for the 2017 crop year.

If you fail to complete the required transfer in a timely manner, you must cancel your Revenue Protection policy (or other policy) on or before the sales closing date for MP. Otherwise, you will be deemed to have duplicate coverage on your crop. Your agent can help you make the transfer effective or to cancel the other policy. Make sure your agent is aware that you do have insurance policies with another crop insurance company.

Premiums and Subsidy Questions and Answers

Q: If I have a base policy and MP, will I owe the full premium for both policies?

A: You will owe the full premium as determined from the actuarial tables for your base policy. However, you will receive a premium credit for your MP policy because any indemnity payments from the base policy will wholly or partially offset indemnity payments from the MP policy, reducing the potential indemnity payments under the MP policy. This is the basis for the premium credit. The amount of the premium credit is determined when all information needed to establish liability under the base policy is known, which is after the approved yield has been established and the acreage report filed. Tools for estimating your premium credit will be available at www.marginprotection.com starting in August 2017.

Q: Do I have to pay a separate administrative fee for MP and for the base policy?

A: Yes. An administrative fee applies to both policies.

Q: What are the premium subsidies for MP?

A: MP offers the same premium subsidies as other existing area-based plans, which vary by coverage level, as follows:

For 70 percent coverage, The subsidy factor is 0.59;

For 75 percent and 80 percent coverage, the subsidy factor is 0.55;

For 85 percent coverage, the subsidy factor is 0.49; and

For 90 and 95 percent coverage, the subsidy factor is 0.44.

Q: As a beginning farmer or rancher, am I eligible for an additional subsidy under MP?

A: Yes. The subsidy for qualifying beginning farmers or ranchers provides an additional 10 percent of premium subsidy and applies to all additional coverage level policies, including MP. For more information on the beginning farmer and rancher program, go to the Risk Management Agency's website.

Q: Does the penalty for breaking native sod apply to an MP policy?

A: Yes, the subsidy decrease for those planting crops on native sod applies to MP. For more information on native sod guidelines go to the Risk Management Agency website.

Program Features Questions

Q: Am I required to provide a production report if I buy an MP policy?

A: Yes. The MP policy's Basic Provisions require a production report, the same as Area Risk Protection Insurance (ARPI). If you do not have a base policy, an annual production report must be submitted by you to the Approved Insurance Provider on or before the production reporting date specified in the actuarial documents. If you have a Yield Protection or Revenue Protection policy also, the production report you submit for that base policy is used for MP, so you are not required to submit two reports. Note that the production reporting date for MP is earlier than the production reporting date for the base policy. Be sure that you observe the MP production reporting date if you have a base policy. For example, if you purchase a 2018 MP corn policy, you must provide a production report for the 2017 planted acres and production no later than February 15, 2018. Under the base policy, the report is not required until 45 days after the sales closing date for the crop (generally, May 1). If you fail to timely file the production report, and have a 2018 MP policy (with a September 30, 2017 sales closing date) in effect, the coverage under the MP policy will retroactively be reduced to the lowest available coverage level (70 percent) for the 2018 crop year.

Q: Does MP provide coverage for acres prevented from being planted?

A: No. MP does not provide prevented planting coverage. However, you may buy a Yield Protection or Revenue Protection plan and pay the additional premium, which provides prevented planted coverage. MP coverage does not attach to any acres that are prevented from being planted and no MP premium is due.

Q: If I plant my crop in the late planting period, is my MP coverage affected? What about if I plant after the final planting date?

A: Late planting does not affect your MP coverage. MP is an area-based coverage, so the date you planted the acreage has no bearing on the potential indemnity from MP. The amount of the premium credit is based on your historical yields relative to the historical county yields. All acreage that you are allowed to report as insurable under the terms of the Common Crop Insurance Policy Basic Provisions is insurable under MP.

Q: Does MP provide coverage for replanting?

A: No. MP does not provide coverage for replanting. However, you may buy a Yield Protection or Revenue Protection plan, which provides replanting coverage.

Q: Are written agreements allowed for MP?

A: No. Written agreements are not allowed under MP. However, any written agreement authorized under the terms of your base policy can be issued and modifies the terms of your base policy coverage only.

Q: Can I insure Seed Corn, Popcorn, or Corn for Silage under MP?

A: Consistent with the ARPI program, coverage under MP is extended only for the types listed in the AIB. For 2018, Seed Corn and Silage types are listed in counties where these practices are insurable under APRI. Popcorn is not insurable under MP at the current time.

Q: Can I exclude high-risk land from my base policy and insure it under the Catastrophic Risk Protection Endorsement (CAT)?

A: Yes. Remember that MP is area-based; the fact that specific land you farm is classified as high-risk does not affect the county-based margin per acre. The amount of insurance and the indemnity are calculated using the county average yield and harvest prices of specific inputs for the commodity. All acreage that you are allowed to report as insurable under the terms of your base policy are insurable under MP.

Q: How are units established under MP?

A: If you have a base policy, the unit structure will be the same as the unit structure you established under that base policy. If you do not have a base policy, all planted acres of a specific type and practice included on the actuarial tables will be insured in a single unit.

Allowable Inputs and Projected and Harvest Price Questions

Q: What are the inputs used to determine MP coverage and losses? How are they determined?

A: Two types of production inputs are specified, those subject to price changes and those that are not subject to price change.

Inputs subject to price changes are, for example, diesel fuel, interest, and certain fertilizers for which projected and harvest prices can be obtained from private, third-party markets. Price changes for these inputs, along with county yield changes and changes in the price of the commodity, determine whether an indemnity is paid.

Fixed-price inputs are seed, machinery operating costs (other than fuel), and similar expenses. These inputs affect the amount of insurance coverage, but do not directly determine whether an indemnity is paid.

Inputs subject to price change by crop are:

Crop	Allowed Inputs Subject to Price Change
Corn	Diesel, Interest, Diammonium Phosphate (DAP), Urea, Potash
Soybeans	Diesel, Interest, DAP, Potash
Rice	Diesel, Interest, Urea, DAP, Potash
Wheat	Diesel, Interest, Urea, Monoammonium Phosphate Price (MAP), Potash

Price inputs not subject to price change by crop are:

Crop	Allowed Inputs Subject to Price Change
Corn	Pre-harvest Machinery, Seed, Lime, Herbicide and Insecticide Costs
Soybeans	Pre-harvest Machinery, Seed, Lime and Herbicide Costs
Rice	Maintenance, Chemicals and Application
Wheat	Seed, Maintenance, Chemicals and Lubrication

The determination of these values is dictated by the terms of the Margin Price Provisions. During price discovery, these prices will be published on a daily basis at www.marginprotection.com.

Q: How are MP Projected and Harvest Prices determined?

A: The MP projected and harvest prices are determined by futures contracts or swaps market prices from commodity exchange markets. The specific contract, market, and time period used in a given crop and county are listed in the Margin Price Provisions. For more information on the Margin Price Provisions go to the Risk Management Agency website.

MP Loss and Payment Questions

Q: How is a loss triggered?

A: First, the expected margin (per acre) must be determined. This amount is published in the actuarial documents so neither you nor your agent is required to calculate it. But, to illustrate how it is determined, the expected margin is the result of subtracting the expected cost (per acre) from the expected revenue (per acre). Next, the deductible is determined (see below). The trigger margin is the expected margin less the deductible. The trigger margin is determined on an area basis and not an individual producer level. Therefore, all acres in a county have the same trigger margin for a given coverage level, crop, type, and practice (i.e., same expected county yield and the same expected revenue).

Q: What effect does a loss under the base policy have on MP?

A: Generally, any indemnity payments made for the base policy will occur first, with any remaining MP indemnity payments occurring later (the following spring) after final area yields become available. The indemnity from the base policy, and any endorsement, is subtracted from the MP indemnity. If the MP indemnity is larger than the base policy indemnity, the amount of the MP indemnity paid will be the difference between the MP indemnity and the base policy indemnity, but not to exceed the total liability under MP. If the MP indemnity is smaller than the indemnity for the base policy, then no additional indemnity will be paid for the MP policy. Payments received for replanting or prevented planting from a base policy, and any acreage insured under the base policy that is not eligible for MP will not be considered.

Q: When are losses paid?

A: MP losses are paid when final area yields are available, in the spring of the following year. This is the same timing as Area Risk Protection Insurance.

For wheat, the final county revenues and final county yields are determined generally on or about April 1 following the crop year. If an indemnity is due, the Approved Insurance Provider will issue the payment no more than 30 days after the date the final county yield is determined.

For corn, rice and soybeans, the final county revenues and final county yields are determined on or about April 16 following the crop year. If an indemnity is due, the Approved Insurance Provider will issue the payment no more than 30 days after the date the final county yield is determined.

Q: What happens if a margin projected price cannot be calculated according to the Margin Price Provisions?

A: If the margin projected price cannot be calculated by the procedures outlined in the Margin Price Provisions, the margin projected price will be determined by RMA and released by the date specified in the applicable projected price definition in the Margin Price Provisions. The margin harvest price is set equal to the margin projected price RMA establishes. The expected revenue is then calculated by multiplying the expected county yield (by crop, unit, type, and practice) by RMA's determined projected price. The harvest revenue would be calculated by multiplying the final county yield (by crop, unit, type, and practice) by the same RMA determined price.

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