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CLAIMS - PREVENTED PLANTING

FREQUENTLY ASKED QUESTIONS: 2019 COVERAGE FACTOR CHANGES

RMA Updated - July 3, 2018

Q: Why is RMA making the update to the prevented planting coverage factors now?

A: The United States Department of Agriculture's Office of Inspector General issued a report in 2013 that recommended that RMA review prevented planting coverage factors and make changes if necessary. RMA has evaluated the results of a third party evaluation of prevented planting coverage factors, solicited comments from stakeholder groups, and conducted independent analysis. RMA updated the prevented planting factors for an initial set of crops for 2017 and an additional set for 2018. The remaining crops are updated for 2019.

The audit can be found here: <https://www.usda.gov/oig/webdocs/05601-0001-31.pdf>.

Q: What exactly is prevented planting coverage?

A: Prevented planting coverage provides producers valuable protection in the event they are unable to plant an insured crop by the final planting date or during the late planting period due to an insured cause of loss. When adverse weather prevents planting, a prevented planting payment is made to compensate for the producer's pre-planting costs generally incurred in preparation for planting the crop.

The amount of prevented planting coverage is calculated as a percent of the insurance guarantee the insured would have had for a timely planted crop. For example, suppose a producer's insurance guarantee is \$100 an acre. If the producer insures a crop with a 60% prevented planting coverage factor, the prevented planting payment would be \$60 (or 60 percent of the guarantee). The prevented planting factor varies by crop, based on an estimate of pre-planting costs.

Q: Is prevented planting coverage designed to cover the value of the crop or just inputs needed to produce a crop?

A: Prevented planting coverage factors are designed to provide protection based on pre-planting costs generally incurred up to the point of planting the crop. Fixed and variable costs, established from available national and state crop budgets, are compared to average insurance guarantees to establish prevented planting coverage factors.

These costs can include purchase of machinery, land rent, fertilizer, actions taken to ready the field, pesticide, labor, and repairs. The prevented planting factor is a percentage of the individual insurance guarantee and varies by crop, based on an estimate of pre-planting costs.

Q: What changes have been initiated as part of this review?

A: Effective for the spring of 2017, RMA revised crop insurance provisions to simplify the process for updating prevented planting coverage factors. This allows RMA to make periodic updates to the factors to better reflect any changes in pre-planting costs.

The prevented planting coverage factors will be reviewed and updated for all crops with prevented planting coverage. The first crops reviewed were corn, soybeans, wheat, grain sorghum, rice, cotton, and barley – effective for spring 2017. The second set is comprised of buckwheat, canola, dry peas, flax, hybrid seed corn, hybrid sorghum seed, mustard, oats, peanuts, rye, silage sorghum, sunflower, with changes effective fall 2017. These changes are part of an effort to ensure that prevented planting coverage factors most accurately reflect the pre-planting input costs of producers. Over time, prevented planting coverage factors may go up and may go down depending upon input costs.

Q: Which prevented planting coverage factors are changing for 2019?

A: The factors for the two crops that have been reviewed so far for the 2019 crop year are summarized in the table below. The factors for an additional eight crops will be reviewed prior to the 11/30/2018 filing date.

Q: How were the updated prevented planting coverage factors determined?

A: RMA commissioned a third party evaluation of prevented planting coverage, which provided recommendations for how to determine prevented planting coverage factors. The evaluation was completed in January of 2015 and is available on RMA's website at <https://www.rma.usda.gov/pubs/2015/ppevaluation.pdf>.

RMA made the evaluation available for public comment, and received 27 comments from 16 commenters. The commenters identified questions about the time frame used in the evaluation, the method of how the deductible is accounted for, and the allocation total planting costs to the pre-planting stage.

After taking into consideration the insightful comments, RMA reconsidered the evaluation's recommendations and determined appropriate revisions to the evaluations recommendations were necessary. Based on these revisions by RMA, the final prevented planting coverage factors were determined.

Additional detail on the revisions, and their impact on the prevented planting coverage factors is available on RMA's website (www.rma.usda.gov).

Q: How do seemingly similar commodities get assigned different prevented planting coverage factors?

A: While pre-plant production costs may be similar, the prevented planting coverage factors are determined using the crop's average insurance liability. Thus, crops with higher insurance liabilities (for example - specialty-type commodities) often have lower prevented planting coverage factors. The methodology for establishing the factors is consistent for all commodities.

Prevented Planting Coverage Factors			
Crop Implemented for 2017	Previous	Recommendation from Evaluation	Final
Corn	60%	50%	55%
Soybeans	60%	60%	60%
Wheat	60%	60%	60%
Cotton	50%	35%	50%
Grain Sorghum	60%	60%	60%
Barley	60%	60%	60%
Rice	45%	45%	55%
Crop for 2018	Current	Recommendation from Evaluation	Final
Buckwheat	60%	50%	60%
Canola	60%	45%	55%
Dry Peas	60%	40%	60%
Flax	60%	45%	60%
Hybrid Sorghum Seed	60%	55%	60%
Hybrid Seed Corn	50%	40%	45%
Mustard	60%	45%	60%
Oats	60%	65%	60%
Peanuts	50%	50%	55%
Rye	60%	60%	60%
Silage Sorghum	60%	55%	50%
Sunflower	60%	45%	60%
Crop for 2019	Current	Recommendation from Evaluation	Final
Onions (Processing, Fresh (Storage))	35%	35%	35%
Onions (Fresh (Non-Storage))	35%	15%	15%
Potatoes	25%	40%	45%

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