United States Department of Agriculture
Risk Management Agency

March 2005

2005 COMMODITY INSURANCE FACT SHEET

Group Risk Income Protection Plan (GRIP)

Delaware, Maryland, North Carolina, Pennsylvania, Virginia

Group Risk Income Protection Plan (GRIP)

Group Risk Income Protection Plan (GRIP) is an area-based revenue insurance product that pays the insured in the event the county average per-acre revenue falls below the insured's "trigger revenue." GRIP is similar to GRP in that participation is driven by the relationship of individual yield to the county expected yield, except that price is added into the equation to place the focus on revenue.

Counties Available

GRIP is available in many of the counties for the states and crops as shown below:

Crop	DE	MD	NC	PA	VA
Corn	X	X	X	X	X
Soybean	X	X	X		X

Important Dates

Corn		
Sales Closing	February 28	NC
Sales Closing	March 15	DE, MD, PA, VA
Acreage Reporting	June 30	NC, VA
Acreage Reporting	July 15	DE, MD, PA
Soybeans		
Sales Closing	February 28	NC
Sales Closing	March 15	DE, MD, VA
Acreage Reporting	June 30	NC, VA

Definitions

Corn Expected Price— For GRIP corn counties with a cancellation date:

(a) Prior to March 15, the simple average of the last five final daily settlement prices for the period ending January 14 of the harvest year for the harvest year's Chicago Board of Trade (CBOT) September corn futures contract. The expected price will be released on or before January 24 of the harvest year.

(b) Of March 15, the simple average of the last five final daily settlement prices, in February, for the CBOT December corn futures contract for the current crop year. The expected price will be released on or before March 5 of the current crop year.

Soybean Expected Price— For GRIP soybean counties with a cancellation date:

(a) Prior to March 15, the December 15 of the pre-harvest year to January 14 of the harvest year's average daily settlement price for the harvest year's CBOT September soybean futures contract rounded to the nearest whole cent. The expected price will be released on or before January of the harvest year.

(b) Of March 15, the simple average of the last five final daily settlement prices, in February, for the harvest year's CBOT November soybean futures contract, rounded to the nearest whole cent. The expected price will be released on or before March 10 of the harvest year.

Corn Harvest Price— For GRIP corn counties with a cancellation date:

(a) Prior to March 15, the simple average of the August harvest year's final daily settlement prices for the harvest year's CBOT September corn futures contract. The harvest price will be released on or before September 10 of the harvest year.

(b) Of March 15, the simple average of the November harvest year's final daily settlement prices for the harvest year's CBOT December corn futures contract. The harvest price will be released on or before December 10 of the harvest year.

Soybean Harvest Price— For GRIP soybean counties with a cancellation date:

(a) Prior to March 15, the August harvest year's final daily settlement price for the harvest year's CBOT September soybean futures contract rounded to the nearest whole cent. The harvest price will be released on or before September 10 of the harvest year.

(b) Of March 15, the October harvest year's average daily settlement price for the harvest year's CBOT November soybean futures contract rounded to the nearest whole cent. The harvest price will be released on or before November 10 of the harvest year.

Expected County Yield— The yield contained in the actuarial documents on which your coverage for the crop year is based. This yield is determined using historical NASS county average yields, as adjusted by FCIC.

Maximum protection per acre— The highest amount of protection specified in the actuarial documents.

Trigger Revenue— The result of multiplying the expected county revenue by the coverage level percentage chosen by the insured. When the county revenue falls below the trigger revenue, an indemnity is due.

Coverage Levels

Producers must choose one coverage level for each crop and county combination. The grower selects the dollar amount of protection per acre and one of five coverage levels (70, 75, 80, 85, or 90 percent) of the Federal Crop Insurance Corporation (FCIC) expected county revenue. Rather than selecting a production guarantee, the producer selects a dollar value of coverage per acre. Producers may select any dollar amount of protection between 60 and 100 percent of the maximum dollar amount of protection shown on the county actuarial documents.

Claims Procedure

All claims procedures will be handled by the insurance company. There is no notification of loss required by the insured. When the National Agricultural Statistics Service (NASS) releases its final county yield estimates, county revenues will be calculated and a determination will be made if an indemnity is due to the insured. The insured will be notified of these calculations and be paid if an indemnity is due. The insured certifies his/her loss by endorsing the payment check.

Loss (Indemnity) Payments

A GRIP indemnity payment will occur if the county revenue is less than the producer's trigger revenue based on the selected coverage level. Consider the following example:

The insured buys 85-percent coverage and selects $244 protection per acre on 200 acres; the policy protection is $48,800 ($244 X 200 acres). Expected county revenue is $271; therefore the insured's trigger revenue is $230 (85 percent of $271).

If FCIC issues a county revenue of $225, the insured's payment calculation factor is 0.022 (($230 - 225) / 230). The indemnity payment of $1,074 is determined by multiplying the payment calculation factor by the amount of policy protection (0.022 X $48,800).

Harvest Revenue Option Endorsement

The GRIP harvest revenue option (HRO) endorsement is a supplemental endorsement to the GRIP basic provisions. The coverage offered under this GRIP-HRO endorsement is in addition to the coverage offered under the GRIP policy. In lieu of the coverage levels, the following applies: The GRIP-HRO trigger revenue shall be the result of multiplying the expected county yield by the greater of the expected price or the harvest price and by the coverage level percentage chosen. If the county revenue, published by FCIC for the insured crop year, falls below the GRIP-HRO trigger revenue, an indemnity is due. The premium for GRIP-HRO coverage will be calculated from the GRIP-HRO rate tables found in the GRIP actuarial documents.

Download Copies from the Web

Visit our online publications/fact sheets page at:
http://www.rma.usda.gov/pubs/#bfr.