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# HURRICANE INSURANCE PROTECTION- WIND INDEX HANDBOOK

## 2020 and Succeeding Crop Years

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**UNITED STATES DEPARTMENT OF AGRICULTURE WASHINGTON, D.C. 20250**

<b>TITLE: HURRICANE INSURANCE PROTECTION-WIND INDEX STANDARDS HANDBOOK</b>	<b>NUMBER: 24360</b>
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<b>SUBJECT:</b>  <b>Provides procedures and instructions for administering the Hurricane Insurance Protection -Wind Index Endorsement</b>	<b>OPI: Product Administration &amp; Standards Division</b>
	<b>APPROVED:</b>  <i>/s/ Richard Flournoy</i>  <b>Deputy Administrator for Product Management</b>

**REASON FOR ISSUANCE**

This handbook provides the official FCIC-approved standards for administering the Hurricane Insurance Protection -Wind Index (HIP-WI) Endorsement for the 2020 and succeeding crop years.

**HURRICANE INSURANCE PROTECTION-WIND INDEX ENDORSEMENT STANDARDS  
HANDBOOK CONTROL CHART**

	TP Page(s)	TC Page(s)	Text Page(s)	Exhibit Page(s)	Date	Directive Number
Remove						
Insert						
Current Index	1-2	1-1	1-12	13-22	February 2020	FCIC 24360

**HURRICANE INSURANCE PROTECTION ENDORSEMENT STANDARDS HANDBOOK**

**TABLE OF CONTENTS**

**PAGE NO.**

**PART 1 GENERAL INFORMATION AND REQUIREMENTS**

1 General Information..... 1

2 Endorsement Availability ..... 1

3 Eligibility Requirements ..... 1

4 HIP-WI Plan of Insurance..... 2

5 Continuous Endorsement..... 2

6 Cancellation or Policy Change ..... 2

7 Administrative Fees and Premium..... 2

8 Written Agreements ..... 3

9 Impact of High-Risk Land ..... 3

10 Underlying Policy Requirements..... 3

11 Supplemental Coverage Option (SCO) and Stacked Income Protection Policy (STAX) ..... 3

12 Duplicate Policy Exceptions ..... 4

13 Planted Acreage Only ..... 4

14 Attachment of Coverage ..... 4

15 Units..... 5

16 Summary of Coverage/Schedule of Insurance..... 5

17 Insurable Cause of Loss ..... 5

18-20 (Reserved) ..... 6

**PART 2 ACREAGE REPORTING**

21 Acreage Reporting Requirements for HIP-WI ..... 7

22-30 (Reserved) ..... 9

**PART 3 DETERMINING HURRICANE INSURANCE PROTECTION AND INDEMNITY**

31 Hurricane Insurance Protection ..... 10

32 Indemnity ..... 11

33-40 (Reserved) ..... 12

**EXHIBITS**

1 Acronyms and Abbreviations ..... 13

2 Definitions ..... 14

3 Form Standards ..... 16

4 Endorsement Calculation Examples ..... 18

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# PART 1 GENERAL INFORMATION AND REQUIREMENTS

## **1 General Information**

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This handbook provides the FCIC approved procedures for administering the HIP-WI Endorsement. HIP-WI attaches to and is made part of the Common Crop Insurance Policy, Basic Provisions (Basic Provisions) and Crop Provisions for the insured crop. The HIP-WI provides coverage for a portion of the deductible of the underlying policy that is not otherwise covered, when the county, or a county adjacent to it, is subjected to sustained hurricane force winds within its boundaries according to National Oceanic and Atmospheric Administration (NOAA). HIP-WI does not provide payments for prevented planting or replanting. Nor is it available with the Occurrence Loss Option (OLO) or the Comprehensive Tree Value (CTV) Endorsement. The coverage provided by this Endorsement may be combined with the Supplemental Coverage Option (SCO) and the Stacked Income Protection Plan (STAX), when acreage is also insured by a companion policy.

The HIP-WI Endorsement must be purchased from the same AIP as the underlying policy and the HIP-WI guarantee is established using information from the underlying policy. Since there are no units for HIP-WI, policy protection is based on all planted acreage (annual crops), insurable acres (perennials), and dollar amount of insurance (tree crops and nursery) of the crop in the county insured by the underlying policy. If there are multiple coverage levels, types or practices for the insured crop in the county, the HIP-WI protection amount will be determined separately for acreage or plants insured at each coverage level, type and practice.

Additionally, any premium and/or indemnity reduction made on the underlying policy will apply to the HIP-WI Endorsement. For example, when the underlying policy premium and indemnity is reduced due to first and second insured crop limitations, the protection under the HIP-WI Endorsement will similarly be reduced.

## **2 Endorsement Availability**

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The HIP-WI Endorsement is available for CAT and additional coverage policies when provided on the actuarial documents.

## **3 Eligibility Requirements**

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To be eligible for the HIP-WI Endorsement, the insured must:

- (1) have an insurance policy under the CCIP-BP and the applicable CP with the same AIP;
- (2) elect the HIP-WI Endorsement on or before the SCD for the underlying policy;
- (3) elect a HIP-WI coverage percentage;
- (4) not have elected the Occurrence Loss Option (OLO) or the Comprehensive Tree Value (CTV) Endorsement for the underlying policy; and
- (5) comply with all terms and conditions of the HIP-WI Endorsement.

## **4 HIP-WI Plan of Insurance Code**

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When elected, the HIP-WI Endorsement establishes a separate plan of insurance code of 37 for the HIP-WI Endorsement coverage for IT processing purposes only. Although the HIP-WI Endorsement creates an insurance plan for IT processing, the actuarial documents identify HIP-WI Endorsement availability as additional tabs for the underlying policy's plan of insurance, on the actuarial documents.

## **5 Continuous Endorsement**

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The HIP-WI Endorsement is a continuous endorsement and will remain in effect until cancelled by the insured or the AIP on or before the cancellation date.

## **6 Cancellation or Policy Change**

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- (1) If the insured's underlying policy for the crop is cancelled, voided, or terminated, coverage under the HIP-WI Endorsement is automatically cancelled.
- (2) Other changes made to the underlying policy do not cancel the HIP-WI Endorsement provided the new coverage (plan of insurance, etc.) also allows HIP-WI. The HIP-WI Endorsement will provide HIP-WI coverage based on the changes to the coverage level or plan of insurance of the underlying policy.

**Example:** The insured changes their coverage level on their underlying policy from 80 percent to 70 percent. Their HIP-WI Endorsement coverage will change from covering 80 to 95 percent to covering 70 to 95 percent, increasing HIP-WI coverage from 15 percent to 25 percent.

## **7 Administrative Fees and Premium**

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### **A. Administrative Fees**

An administrative fee and premium for the crop covered by each HIP-WI Endorsement will be due in addition to any administrative fee(s) and/or premium(s) of the underlying policy (GSH Para. 807-809). However, waivers of the HIP-WI administrative fee are applicable for insureds who qualify as a limited resource farmer, a BFR or a VFR (see GSH Para. 809).

### **B. Premium**

Premium for HIP-WI is calculated by multiplying the Hurricane Protection Amount (HPA) by the premium rate and any premium adjustment percentages that may apply. All information needed to calculate the premium is contained on the actuarial documents.



## **8 Written Agreements (WA)**

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- (1) WAs are not authorized to add the HIP-WI Endorsement to an underlying policy when the HIP-WI Endorsement is not provided on the actuarial documents for the crop/county.

**Example:** The insured has a written agreement to insure corn in County A, which allows a crop to be insured in a county when the published actuarial documents do not include that crop in the county (XC WA). The XC WA references County Z which offers the HIP-WI endorsement. The County A corn policy cannot have HIP-WI coverage because HIP-WI is not provided for corn in the published county actuarial documents in County A. HIP-WI is only available for a crop in counties where it is listed on the actuarial documents.

- (2) If the HIP-WI Endorsement is available on the actuarial documents for the crop/county where the crop is physically located, the HIP-WI Endorsement may be elected when a WA applies to the underlying policy.

**Example:** The insured has a high-risk rated area written agreement (HR WA) on their underlying policy for NI corn for grain and the HIP-WI is available for NI corn for grain. Since the HIP-WI is available for the crop/county/P/T, the insured may elect HIP-WI for the policy even though the HR WA is applicable.

## **9 Impact of High-Risk Land**

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- (1) High-risk acreage insured by the underlying policy is insurable under HIP-WI.
- (2) Any high-risk acreage excluded from an underlying policy under the High-Risk Land Exclusion Option is not insurable under HIP-WI, unless the high-risk acreage is insured under a CAT policy. If the high-risk acreage is insured under a CAT policy the insured may elect to insure their high-risk acreage under the HIP-WI Endorsement.
- (3) When high-risk acreage is insured under a separate policy by the HRACE, the HIP-WI Endorsement must be elected on the HRACE policy when the insured elects the HIP-WI Endorsement on their base policy.

## **10 Underlying Policy Requirements**

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The HIP-WI Endorsement can only be elected if the insured has an underlying policy insured under the CCIP-BP. Both the underlying policy and HIP-WI must be with the same AIP.

The HIP-WI Endorsement is not available with ARPI, WFRP, or with STAX when STAX is a standalone policy.

## **11 Supplemental Coverage Option (SCO) and Stacked Income Protection Policy (STAX)**

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The insured may elect both the HIP-WI Endorsement and SCO or the HIP-WI Endorsement and STAX, if they meet the eligibility requirements of both programs. The insured may also elect the HIP-WI Endorsement, SCO and STAX; however, the same acreage cannot be insured under both the SCO and STAX.

## **11 SCO and STAX (Continued)**

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If the insured has elected both the HIP-WI Endorsement and STAX, then the upland cotton must also be insured under the CCIP BP. If the underlying policy is ARPI or a standalone STAX policy, the HIP-WI Endorsement is not available for the upland cotton.

## **12 Duplicate Policy Exceptions**

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The HIP-WI Endorsement is not considered a duplicate policy with an underlying policy when available on the actuarial documents.

## **13 Planted Acreage Only**

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Only planted acreage can be insured under HIP-WI. When HIP-WI is elected, all planted acreage of the crop, including perennial crops, insurable trees and plants, in the county that is insured by the underlying policy must be insured under the Endorsement. HIP-WI will not insure prevented planted acreage of the crop.

**Note:** For 2020 crop year only, HIP -WI will not insure acreage that failed prior to the April 30, 2020, HIP-WI SCD.

## **14 Attachment of Coverage**

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### **A. Insurance Period**

The insurance period for HIP-WI:

(1) begins on the later of the:

- SCD; or
- earliest planting date of the crop; and

(2) ends on the earliest of the:

- end of insurance date as published on the actuarial documents for the underlying policy; or
- termination date, if no end of insurance date is published on the actuarial documents for the underlying policy.

**Exception:** For those crops where the underlying policy requires a waiting period, the period:

- Beginning on the date insurance attaches on the underlying policy; and
- Ending on the date insurance ends on the underlying policy.

### **B. Initial Year of Election**

The initial year HIP-WI is elected, coverage will not begin until 14 days after the SCD. Where the underlying policy also requires a similar waiting period, the wait periods will run concurrently.

## **14 Attachment of Coverage (Continued)**

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### **B. Initial Year of Election (cont.)**

**Example:** Nursery Crop policies are subject to a 30-day waiting period before commencement of coverage. If the application for a Nursery Crop policy and the HIP-WI is filed on or before the SCD, the HIP-WI 14 day waiting period will begin on the date the application is filed and will run during the 30-day waiting period for the Nursery Crop policy.

### **C. Subsequent Years**

For subsequent years, HIP-WI coverage may be increased (e.g., lowering coverage on underlying policy, increasing HIP-WI coverage factor, decreasing STAX coverage level) by the SCD, but it will not take effect until 14 days after the SCD. If a county is triggered within the 14-day period, coverage will be based on the coverage percentage and coverage range from the previous insured year.

## **15 Units**

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In lieu of the provisions regarding units and unit division in the underlying policy, HIP-WI will be based on all planted acreage (annual crops), insurable acreage (perennial crops), dollar amount of insurance (tree crops or nursery) of the crop in the county insured by the underlying policy, regardless of whether such acreage is owned, rented for cash, or rented for a share of the crop, including acres on which the insured is insuring the share of the landlord/tenant.

## **16 Summary of Coverage/Schedule of Insurance**

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The Summary of Coverage/Schedule of Insurance must provide the protection, premium and administrative fee for the HIP-WI.

## **17 Insurable Cause of Loss**

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Sustained hurricane winds are the only cause of loss for HIP-WI and will be determined from NOAA hurricane wind extents data (refer to the HDP documents). NOAA publishes hurricane wind extent data for each storm track that includes the extent of the hurricane force winds from the hurricane's location extended out to each of the Cartesian quadrants in nautical miles. The series of quadrant extents are utilized to determine the county loss trigger.

- (1) To be eligible to receive an indemnity payment, the county loss trigger must have occurred in the county, or an adjacent county, within the insurance period.
  - (a) RMA will identify triggered counties on the actuarial documents.
  - (b) For an insured crop under this endorsement, only one indemnity payment per insurance period is allowed.
- (2) Individual farm yields and revenues are not considered under HIP-WI. It is possible that an insured's farm may experience reduced revenue or reduced yield and not receive an indemnity HIP-WI.

**17 Insurable Cause of Loss (Continued)**

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- (3) Insureds are not required to file notices of loss.

**18-20 (Reserved)**

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## PART 2 ACREAGE REPORTING

### 21 Acreage Reporting Requirements for HIP-WI

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Because the HIP-WI Endorsement uses the underlying policy's acreage report, an insured is not required to submit an additional acreage report for HIP-WI. For crops which do not require an acreage report, use the crop's equivalent of an acreage report.

**Example:** The Nursery Crop Insurance Program does not require an acreage report but does require the insured to provide a Plant Inventory Value Report (PIVR) which is used to determine amount of insurance.

#### A. Eligible Acres

The number of eligible acres will be:

- (1) The number of acres reported on an intended acreage report submitted:
  - (a) by the SCD of the underlying policy, or
  - (b) within 10 days of the date the insured acquired acreage, if on the SCD the insured did not have any acreage in a county and subsequently acquires acreage, or
- (2) The number of planted acres reported on an acreage report filed on or before the ARD of the underlying policy.

If the insured files an intended acreage report, eligible acres will be limited to the actual acres planted and reported on the underlying policy acreage report.

#### B. Acreage Limitations

- (1) The initial year HIP-WI Endorsement is accepted, if a loss is triggered for the county:
  - (a) before the ARD plus 14 days, the number of acres for HIP-WI will be the lesser of:
    - i the number of acres specified on the intended acreage report submitted to the AIP by the SCD of the underlying policy or within 10 days of the date the insured acquires the acreage, or
    - ii the actual acres planted and reported on the acreage report; or
  - (b) on or after the ARD plus 14 days, the number of acres indemnified will be the planted acres reported on the acreage report filed on or before the ARD of the underlying policy.

**Note:** An intended acreage report is not required. However, for acres to be covered under HIP-WI the initial year of coverage, acres must be reported prior to the loss being triggered.

**B. Acreage Limitations (cont.)**

- (2) For any subsequent crop year, if a loss is triggered for the county:
  - (a) before the ARD plus 14 days, the number of acres for HIP-WI will be the lesser of:
    - i the number of acres reported on the underlying policy acreage report for the current year; or
    - ii the highest number of planted acres in any one of the past four years.
  - (b) on or after the ARD plus 14 days, the number of acres for HIP-WI will be the number of acres specified on the acreage report filed on or before the ARD of the underlying policy.
- (3) When an intended acreage report is filed, eligible acres will be limited to the actual acres planted and reported on the acreage report.
- (4) If a qualifying loss event occurs prior to an insured filing an acreage report and an intended acreage report has not been filed, eligible acres will be limited to acreage planted or the prior year crop acreage, whichever is less.

**C. Crops Which Do Not Require an Acreage Report**

- (1) Coverage will be based on the amount of insurance determined by the crop's equivalent of the acreage report.
- (2) When the underlying policy requires a waiting period for insurance to attach after acceptable documents to determine insurance coverage are received, if a loss is triggered for the county:
  - (a) the initial year HIP-WI Endorsement is accepted, coverage under the HIP-WI will not attach until the later of:
    - the waiting period for HIP-WI (ARD plus 14 days)
    - the waiting period for the underlying policy after all acceptable reporting documents are received.
  - (b) For any subsequent crop year for carryover insureds, if a loss is triggered for the county after all required acceptable reporting documents are received but prior to insurance attachment of the underlying policy, coverage for HIP-WI will be the lesser of :
    - i the amount of insurance reported on the underlying policy acreage report equivalent for the current year; or
    - ii the amount of insurance in the prior year.



## **31 Hurricane Protection Amount (HPA)**

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The AIP must determine protection provided under HIP-WI, separately by coverage level, type and practice, when applicable.

### **A. Calculate HPA for Underlying Policies Containing Acres**

To calculate the HPA for all planted acres of the crop in the county:

- (1) Calculate HPA separately for all planted acres of the crop in the county with the same coverage level, type, and practice:
  - (a) Determine the insured's hurricane coverage range:
    - subtract from 95 percent the higher of the coverage level of the underlying policy, the upper end of the insured's SCO coverage range (if SCO coverage applies), or the upper end of the insured's STAX coverage range (if STAX coverage applies);
  - (b) Determine the expected crop value:
    - divide the liability of the underlying policy for those acres of the same coverage level, type and practice by the coverage level for those acres and then divide by the percentage of price election or percentage of projected price, as applicable, of the underlying policy;

**Note:** When SCO or STAX coverage is in effect with the underlying policy, use only the liability and coverage level for the underlying policy, not the SCO or STAX liability or coverage level;
  - (c) Multiply the expected crop value by the amount of the hurricane coverage range; and
  - (d) Multiply the result of (c) by the HIP-WI coverage percentage elected by the insured. This is the HPA.
- (2) Sum the results of (1) for each coverage level, type and practice to determine the HPA for all planted acres of the crop in the county.

### **B. Calculate HPA for Underlying Policies That Do Not Contain Acres**

To calculate the HPA for the crop in the county:

- (1) Calculate HPA separately for each BU on the underlying policy with the same coverage level:
  - (a) Determine the hurricane coverage range:
    - subtract the coverage level of the underlying policy from 95 percent;



## **31 HPA (Continued)**

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### **B. Calculate HPA for Underlying Policies That Do Not Contain Acres (cont.)**

- (b) Determine the expected crop value:
  - divide the liability of the underlying policy by the coverage level of the underlying policy, as applicable, and then again by the percentage of price election or percentage of projected price, as applicable, of the underlying policy to determine the expected crop value.
- (c) Multiply the expected crop value by the hurricane coverage range; and
- (d) Multiply the result of (c) by the coverage percentage elected by the insured.

### **C. Impact of Agriculture Risk Coverage (ARC) Election**

If the underlying policy includes SCO, the Hurricane Protection Amount will not increase if the insured elects the Agriculture Risk Coverage (ARC) program on some or all of the acres insured under SCO.

## **32 Indemnity**

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### **A. Notice of Loss Requirements**

Insureds are not required to file a notice of loss for HIP-WI.

### **B. Indemnity Due**

An indemnity will be due under HIP-WI if:

- (1) The county loss trigger is identified for the county, or adjacent county.
  - (a) RMA may add counties that were not included in the initial county release based upon release of updated NOAA wind extent data.
  - (b) Once counties are included in the list, they will not be removed even if later data indicates they did not meet the criteria.
- (2) FCIC will identify the counties meeting the trigger due to sustained hurricane winds and their adjacent counties.
- (3) Only one indemnity per insurance period is allowed under this Endorsement, regardless of the number of times a county loss trigger occurs during the insurance period.

### **C. Indemnity Calculation**

Indemnity will be the HPA for all planted acres in the crop/county (see Para. 31A) for a triggered county, and any adjacent county to the triggered county.

**32 Indemnity (Continued)**

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**D. Timing of Indemnities**

Indemnities will be paid within 30 days after FCIC releases the eligible HIP-WI counties.

**33-40 (Reserved)**

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## **Acronyms and Abbreviations**

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The following table provides the acronyms and abbreviations used in this handbook.

<b>Approved Acronyms/Abbreviations</b>	<b>Term</b>
AIP	Approved Insurance Provider
APH	Actual Production History
ARC	Agriculture Risk Coverage Program
ARPI	Area Risk Protection Insurance
CAT	Catastrophic Risk Protection Endorsement
CCIP-BP	Common Crop Insurance Policy-Basic Provisions
CIH	Crop Insurance Handbook
CP	Crop Provisions
FCIC	Federal Crop Insurance Corporation
HDP	Hurricane Data Provisions
HIP-WI	Hurricane Insurance Protection Wind Index
HPA	Hurricane Protection Amount
HRACE	High Risk Alternate Coverage Endorsement
NOAA	National Oceanic and Atmospheric Administration
OU	Optional Unit
RP	Revenue Protection Plan of Insurance
RP-HPE	Revenue Protection with Harvest Price Exclusion Plan of Insurance
SCD	Sales Closing Date
STAX	Stacked Income Protection Plan
YP	Yield Protection Plan of Insurance

## Definitions

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County Loss Trigger – The occurrence of sustained hurricane force winds, as determined by the Risk Management Agency (RMA) in accordance with the Hurricane Data Provisions (HDP) document and identified on the actuarial documents.

Coverage Percentage - A factor the insured elects, between 1 and 100 percent in whole percent increments, used to determine the Hurricane Protection Amount.

Expected Crop Value - The value of the crop based on the underlying policy and determined by dividing the liability of the underlying policy for those acres by the coverage level and then dividing again by the percent of the price or price election of the underlying policy.

Hurricane Coverage Range - The amount of difference between 95 percent and the higher of the coverage level of your underlying policy, or the upper end of your SCO coverage range (if SCO coverage applies), or the STAX coverage range (if STAX coverage applies), expressed as a whole percentage.

Hurricane Data Provisions (HDP) – A document that describes the methodology utilized by RMA, incorporating NOAA hurricane data, that identifies a county subjected to sustained hurricane force winds and any county adjacent to that county.

Hurricane Protection Amount (HPA) - The dollar amount of insurance determined by the HIP-WI Endorsement.

Insurance period - In lieu of section 11 of the Basic Provisions, the period:

- (a) beginning on the later of:
  - (1) the sales closing date; or
  - (2) the earliest planting date for the underlying policy; and
- (b) ending on the earliest of:
  - (1) the end of insurance date published in the actuarial documents for the underlying policy; or
  - (2) the termination date, if no end of insurance date is published in the actuarial documents, for the underlying policy.
- (c) In lieu of (a-b) in this definition, for those crops where the underlying policy requires a waiting period, the period:
  - (1) Beginning on the date insurance attaches on the underlying policy; and
  - (2) Ending on the date insurance ends on the underlying policy

National Oceanic and Atmospheric Administration (NOAA) - An agency within the United States Department of Commerce, or its successor.

Supplemental Coverage Option (SCO) - A county-level crop insurance option that provides additional coverage for a portion of an insured's underlying insurance policy deductible.

Stacked Income Protection Plan (STAX) - A crop insurance product for upland cotton that provides coverage for a portion of the expected revenue for an insured's area.

**Definitions (Continued)**

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Underlying Policy - The Common Crop Insurance Policy, Basic Provisions (Basic Provisions) published at 7 C.F.R. part 457 and Crop Provisions, to which this Endorsement is attached. A crop covered by any plan of insurance not under the Common Crop Insurance Policy Basic Provisions will not qualify as an underlying policy for the Endorsement The Area Risk Protection Insurance Basic Provisions (7 CFR 407.9) and its applicable Crop Provisions are not available under the HIP Endorsement.

**Form Standards**

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**Hurricane Insurance Protection Endorsement**

Insureds who wish to insure under the HIP-WI Endorsement may amend their policy by signing and submitting the Hurricane Insurance Protection – Wind Index Endorsement (HIP-WI Endorsement) Application, developed according to these standards on or before the SCD for the first crop year for which the insured wishes to elect the Endorsement. The AIP may combine the HIP-WI Endorsement Application with another form contained in the Document and Supplemental Standards Handbook (DSSH), if the combined form meets the applicable standards in place for each individual form.

**1. Insured Information**

- A “Insured’s Name” (Substantive)
- B “Underlying Policy Number” (Substantive)
- C “Street or Mailing Address” (Substantive)
- D “City, State and Zip Code” (Substantive)
- E “Identification Number” (Substantive)
- F “Identification Number Type” (Substantive)

**2. Crop Information**

- A “County Name” (Substantive)
- B “Crop(s)” (Substantive)
- C “Crop Year” (Substantive)
- D “Underlying Plan of Insurance” (Substantive)
- E “HIP-WI Coverage Percentage” (Substantive)
- F “HIP-WI Plan of Insurance” (Substantive)

**Form Standards (Continued)**

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**3. Terms and Conditions**

“In addition to Section 3(b)(2) of the Basic Provisions, I hereby elect this Hurricane Insurance Protection – Wind Index Endorsement, and by this election I understand:

- (1) I must have purchased an underlying policy consisting of the Common Crop Insurance Policy Basic Provisions and applicable Crop Provisions to elect this Endorsement and must also purchase this Endorsement with the same Approved Insurance Provider as my Common Crop Insurance Policy.
- (2) If at any time my underlying policy for the crop is cancelled or terminated, coverage under this Endorsement is automatically cancelled or terminated.
- (3) That by electing this Endorsement, it will continue from year to year unless I or you cancel or change my election by written notice on or before the cancellation date or my coverage is otherwise canceled or terminated under the terms of my underlying policy.
- (4) Separate Administrative Fees will be assessed for each crop insured under this Endorsement.” (Substantive)

**4. Required Signatures**

- A “Insured’s Printed Name, Signature and Date” (Substantive)
- B “Agent’s Printed Name, Signature, Date, and Code Number” (Substantive)

**5. Required Statements**

- A Certification Statement (Substantive)
- B Privacy Act Statement (Substantive)
- C Nondiscrimination Statement (Substantive)

## **HIP-WI Endorsement Calculation Examples**

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Producer A farms 100 acres of corn in county X and has an approved yield of 154.6 bushels per acre, with a 100 percent share. The projected price is \$4.00 per bushel, as published on the actuarial documents in county X. The producer elects HIP-WI coverage of 90 percent. (This information, with some changing variables, applies to the following examples.)

### **A. Example for Underlying Policy with CAT Coverage:**

- (1) Step 1: Calculate hurricane coverage range:

Formula: 95 percent minus the maximum coverage from the underlying policy

$$0.95 - 0.50 = 0.45 \text{ hurricane coverage range}$$

- (2) Step 2: Calculate the expected crop value of the underlying policy:

Formula: Divide the liability of the underlying policy by the coverage level of the underlying policy, and then by the percentage of price election or percentage of projected price, as applicable, of the underlying policy

$$\$17,006 \div 0.50 \div 0.55 = \$61,840 \text{ expected crop value}$$

- (3) Step 3: Calculate HPA:

Formula: Multiply the expected crop value by the HIP-WI coverage range and the coverage percentage

$$\$61,840 \times 0.45 \times 0.90 = \$25,045 \text{ HPA}$$

- (4) If FCIC determines a county is HIP-WI eligible, the indemnity payment would be \$25,045, the full hurricane protection amount.

### **B. Example for CCIP Policy**

Producer A elects HIP-WI coverage of 70 percent and 100 percent of price. The remaining information remains the same as the previous example. The liability for the underlying policy is \$43,288:

- (1) Step 1: Calculate hurricane coverage range:

Formula: 95 percent minus the maximum coverage from the underlying policy

$$0.95 - 0.70 = 0.25 \text{ hurricane coverage range}$$



## **HIP-WI Endorsement Calculation Examples (Continued)**

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### **B. Example for CCIP Policy (cont.)**

- (2) Step 2: Calculate the expected crop value of the underlying policy:

Formula: Divide the liability of the underlying policy by the coverage level of the underlying policy, and then by the percentage of price election or percentage of projected price, as applicable of the underlying policy

$$\$43,288 \div 0.70 \div 1.00 = \$61,840 \text{ expected crop value}$$

- (3) Step 3: Calculate the HPA:

Formula: Multiply the expected crop value of the underlying policy by the HIP coverage range and the coverage percentage

$$\$61,840 \times 0.25 \times 0.90 = \$13,914 \text{ HPA}$$

If FCIC determines the county meets the county loss trigger, the indemnity payment would be \$13,914.

### **C Example for Underlying Policy with SCO**

- (1) Step 1: Calculate hurricane coverage range:

Formula: 95 percent minus the higher of the coverage level from the underlying policy (which is 70 percent) or the upper end of the SCO coverage range (which is 86 percent). In this case the higher number is the upper end of the SCO coverage range, or 86 percent

$$0.95 - 0.86 = 0.09 \text{ hurricane coverage range}$$

- (2) Step 2: Calculate the expected crop value of the underlying policy:

Formula: Divide the liability of the underlying policy by the coverage level of the underlying policy, and then by the percentage of price election or percentage of projected price, as applicable of the underlying policy

$$\$43,288 \div 0.70 \div 1 = \$61,840 \text{ expected crop value of the underlying policy.}$$

- (3) Step 3: Calculate the HPA:

Formula: Multiply expected crop value of the underlying policy by the HIP coverage range and the coverage percentage

$$\$61,840 \times 0.09 \times .90 = \$5,009 \text{ HPA}$$

If FCIC determines the county meets the county loss trigger, the indemnity payment would be \$5,009.

## **HIP Endorsement Calculation Examples (Continued)**

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### **D. Example for Underlying Policy with STAX:**

- (1) Step 1: Calculate hurricane coverage range:

Formula: 95 percent minus the higher of the coverage level from the underlying policy (which is 70 percent) or the upper end of the STAX coverage range (which is 90 percent). In this case the higher number is the upper end of the STAX coverage range, or 90 percent

$$0.95 - 0.90 = 0.05 \text{ hurricane coverage range}$$

- (2) Step 2: Calculate the expected crop value of the underlying policy:

Formula: Divide the liability of the underlying policy by the coverage level of the underlying policy, and then by the percent of price election or percentage of projected price, as applicable of the underlying policy

$$\$43,288 \div 0.70 \div 1.00 = \$61,840 \text{ expected crop value of the underlying policy.}$$

- (3) Step 3: Calculate the HPA:

Formula: Multiply expected crop value of the underlying policy by the HIP coverage range and the coverage percentage

$$\$61,840 \times 0.05 \times 0.90 = \$2,783 \text{ HPA}$$

If FCIC determines the county meets the county loss trigger, the indemnity payment would be \$2,783.

### **E. Example for CCIP Policy with Multiple Coverage Levels**

Insured B has a cotton yield protection policy with an approved APH yield of 1,200 lbs. per acre for IRR cotton and an approved yield of 900 lbs per acre for NI cotton in County X, which has a projected price of \$.74 per lbs., as published on the actuarial documents. Insured B makes the following elections:

- coverage level of 80% for his IRR cotton
- coverage level of 70% for his NI cotton,
- 100% percent of price,
- HIP-WI Endorsement with a coverage level of 100%.

Insured B plants 100 acres of IRR cotton and 100 acres of NI cotton in county X with a 100% share. The liability for the underlying policy for IRR corn is \$71,040 and for NI corn is \$46,620. Because the insured elected multiple coverage levels for cotton on the underlying policy, the HPA must be calculated separately for each coverage level

- (1) Step 1: Calculate hurricane coverage range for each coverage level:

## HIP Endorsement Calculation Examples (Continued)

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### **E. Example for CCIP Policy with Multiple Coverage Levels (cont.)**

Formula: 95 percent minus the maximum coverage from the underlying policy

(a)  $0.95 - 0.80 = 0.15$  hurricane coverage range

(b)  $0.95 - 0.70 = 0.25$  hurricane coverage range

(2) Step 2: Calculate the expected crop value of the underlying policy:

Formula: Divide the liability of the underlying policy (in this situation by practice due to the different coverage levels by practice) by the coverage level of the underlying policy, and then by the percentage of price election or percentage of projected price, as applicable of the underlying policy

(a)  $71,040 \div .80 \div 1.00 = 88,800$  expected crop value

(b)  $\$46,620 \div 0.70 \div 1.00 = \$66,600$  expected crop value

(3) Step 3: Calculate the HPA:

Formula: Multiply the expected crop value of the underlying policy by the HIP coverage range and the coverage percentage

(a)  $\$88,800 \times 0.15 \times 1.00 = \$13,320$  HPA

(b)  $\$66,600 \times 0.25 \times 1.00 = \$16,650$  HPA

If FCIC determines the county meets the county loss trigger, the indemnity payment would be \$29,970.

### **F. Example for Underlying Policies That Do Not Contain Acres**

Insured C has a nursery crop insurance policy in County Z with two BUs:

Unit = 0001-0000 - Field Grown/Roses,

- Coverage level = 70%; Value = \$50,000; Share = 1.000;
- Amount of insurance =  $\$50,000 * .70 * 1 = \$35,000$

Unit = 0001-0000 - Field Grown/Fruit & Nut Trees,

- Coverage level = 65%; Value = \$75,000; Share = 1.000;
- Amount of insurance =  $\$75,000 * .65 * 1 = \$48,750$

Insured C elects HIP-WI endorsement with a coverage level of 80%. The liability for the underlying policy for BU 0001-0000 Field Grown/Roses is \$35,000 and for BU 0001-0000 Field Grown/Fruit & Nut Trees is \$48,750. The HPA must be calculated separately for each BU.

## HIP Endorsement Calculation Examples (Continued)

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### **F. Example for Underlying Policies That Do Not Contain Acres (cont.)**

- (1) Step 1: Calculate hurricane coverage range for each coverage level:

Formula: 95 percent minus the maximum coverage from the underlying policy

(a)  $0.95 - 0.70 = 0.25$  hurricane coverage range

(b)  $0.95 - 0.65 = 0.30$  hurricane coverage range

- (2) Step 2: Calculate the expected crop value of the underlying policy:

Formula: Divide the liability of the underlying policy by the coverage level of the underlying policy (in this situation by BU), and then by the percentage of price election or percentage of projected price, as applicable of the underlying policy

(a)  $35,000 \div .70 \div 1.00 = 50,000$  expected crop value

(b)  $\$48,750 \div 0.65 \div 1.00 = \$75,000$  expected crop value

- (3) Step 3: Calculate the HPA:

Formula: Multiply the expected crop value of the underlying policy by the HIP coverage range and the coverage percentage

(a)  $\$50,000 \times 0.25 \times 0.80 = \$10,000$  HPA

(b)  $\$75,000 \times 0.30 \times 0.80 = \$18,000$  HPA

If FCIC determines the county meets the county loss trigger, the indemnity payment would be \$28,000.