

## Impact of YE on Trend Adjustment (TA)

When an actual yield in an eligible crop year is excluded, an excluded actual is not considered for TA purposes when determining the following:

1. When an APH database qualifies for TA by having at least an actual yield in one of the four most recent crop years;
2. The applicable TA percentages, and;
3. The highest actual yield in the APH database with one year of trend adjustment applied for the TA limitation of the approved APH yield for the APH database.

The following chart illustrates how YE can impact the Approved APH yield on a database and how it interacts with YA and TA options. In the example, 2007, 2012 and 2013 have been identified in the actuarial documents as eligible for YE. Individually, the options have an impact on the Approved APH. Combined the impact can be even greater. The additional costs for the additional coverage need to be analyzed to determine what combination of options best fits the risk management needs of the producer.

Year	Eligible for Exclusion	T-Yield	60% of Applicable T-Yield	APH	APH w/ YA	APH w/ YA and TA	APH w/ All Eligible Yields Excluded	APH w/ All Eligible Yields Excluded and YA	APH w/ All Eligible Yields Excluded, YA and TA
2005	No	126	76	628	628	684	628	628	684
2006	No	140	84	746	746	797	746	746	797
2007	Yes - by contiguous	164	98	231	231	276			
2008	No	197	118	563	563	602	563	563	602
2009	No	197	118	430	430	464	430	430	464
2010	No	197	118	111	118	146	111	118	146
2011	No	197	118	531	531	554	531	531	554
2012	Yes - by county	197	118	0	118	135			
2013	Yes - by county	197	118	35	118	129			
2014	No	219	131	95	131	137	95	131	137
<b>Approved APH Yield</b>				<b>337</b>	<b>361</b>	<b>392</b>	<b>443</b>	<b>450</b>	<b>483</b>

This example is for educational purposes only.

### YE Helper

Rain and Hail has developed the YE Helper to provide growers with information on how YE can impact individual policies using actual policy data. YE Helper will analyze an individual policy/APH database to optimize policy coverage using the available options. YE Helper can assist growers with determining which options to utilize in their risk management program.



## The Rain and Hail Difference

The Rain and Hail Difference is what sets us apart from other agricultural insurance providers. Our commitment to always provide the best service possible to the American farmer and rural America, and our belief in a strong safety net for America's agricultural communities, make us a leader in the industry.

### Unmatched Claims Service

Response in a loss situation brings out the true character of the company. Time and time again, Rain and Hail is there for our customers when they need us by providing:

- Tools to quickly and easily submit claims
- Prompt and accurate claims adjustment
- Expedited claim payments

### Full Range of Products and Services

Rain and Hail offers the agricultural insurance products you need to properly protect your operation, including:

- Multiple Peril
- Crop-Hail
- Specialty Crop Lines

For more information, visit [www.RainHail.com](http://www.RainHail.com) or contact your local Rain and Hail Insurance Professional.

## About Us

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With more than \$150 billion in assets and \$37 billion of gross written premiums in 2014\* on a pro forma basis, Chubb's core operating insurance companies maintain financial strength ratings of AA from Standard & Poor's and A++ from A.M. Best.

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\*Pro forma December 31, 2014 ACE and Chubb

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# YE

## Yield Exclusion



# Rain and Hail

A Chubb Company

## About APH Yield Exclusion

The Actual Production History (APH) Yield Exclusion (YE) is a provision in the 2014 Farm Bill that allows farmers with qualifying crops in eligible counties to exclude low yields in exceptionally bad years (such as a year in which a natural disaster or other extreme weather occurs) from their production history when calculating yields used to establish their crop insurance coverage. Crop years are eligible when the average per planted acreage yield for the county was at least 50 percent below the simple average for the previous 10 consecutive crop years. It will allow eligible producers to receive a higher approved yield on their insurance policies through the federal crop insurance program.

Crop years eligible for exclusion are determined by the Risk Management Agency (RMA). RMA data will be the primary data used to determine the average per planted acre yield for the county and the simple average for the previous 10 consecutive crop years, if sufficient RMA data exists. If RMA data is not sufficient for any given crop year, RMA will use National Agricultural Statistics Service (NASS) data if there is sufficient NASS data available at the appropriate irrigated/non-irrigated level for the crop year. If neither sufficient RMA nor NASS data is available, RMA may use, in a limited number of situations, the transitional yield from the county to complete the 10 year average. A crop year will not be eligible if there is not sufficient information to determine the average per planted acre yield for the county or the 10 year average did not have enough years of sufficient data. Due to limited data availability, the earliest year that RMA may identify as being eligible to be excluded will be 1995, which will use data from 1985 through 1994 to determine the 10 year average.

A crop year that has been determined eligible for exclusion for a crop in a county will be eligible for exclusion in contiguous counties. Actuarial documents will identify the crop year as a primary county (P) or as a contiguous county (C).

Type Practice	High Amylase 382 Non-Irrigated 003	High Amylase 382 Irrigated 002	Blue 383 Non-Irrigated 003	Blue 383 Irrigated 002	Grain 016 Non-Irrigated 003
<b>Yield Exclusions</b>					
Eligible Yield Exclusion Years	2012 (C) 2003 (C)	2010 (P) 2007 (C)	2012 (C) 2003 (C)	2010 (P) 2007 (C)	2012 (C) 2003 (C)



### Impact on Premium

Producers electing APH YE will likely have higher approved yields and increased insurance coverage. These increases will likely result in a higher premium rate to account for the increased risk of loss. The premium changed will reflect the higher effective coverage level and higher risk of loss due to the additional coverage created by excluding extremely low actual yields from the database(s). Premiums for producers not selecting the APH YE will not be affected.

### Eligible Crops

Eligible crops and crop years for exclusion will be identified in the actuarial documents. The number of eligible crops has been expanded since the inception of the APH YE. The APH YE can be added as an option to either Catastrophic Risk Protection (CAT) or buy-up insurance policies.

### Continuous Option

YE must be elected by the applicable sales closing date for the insurance policy. It is a continuous option until cancellation is requested in writing by the policyholder. Once the option has been elected, it will automatically exclude any and all eligible crop yields from the approved yield calculation. All actual yields will physically remain in the database. If less than four years of actual yields are available after YE is applied, the applicable variable T-Yields will be used to complete the database for calculation of the approved yield. Excluded actual years continue to count for the purposes of determining the applicable variable T-Yield.

Producers may elect to opt-out of excludable yield(s) for specific crop year(s). Producers must make the decision to opt-out of the specific excludable yield(s) by the production reporting date (PRD) for the

applicable crop and county. Once a producer has decided to opt-out of excluding an actual yield(s) in eligible crop years, this decision will continue to apply in subsequent crop years unless the YE option is cancelled or the producer decides to change which actual yields are excluded or opted-out.

The most recent crop year will not be identified as eligible for yield exclusion in the actuarial documents since the production data necessary for RMA to determine whether the most recent crop year meets the criteria for exclusion is not available until after the PRD for that crop year.

If the YE option is cancelled in writing on or before the cancellation date for the effective crop year, the yield exclusion will no longer apply to the applicable crops. The 10 percent yield limitation will not apply the year YE is cancelled for any APH database that had a year excluded under YE. Yield adjustment, if elected, and the yield floor may apply to the APH databases.

YE is considered cancelled when a policy is transferred to another Approved Insurance Provider (AIP). If the policyholder wishes to continue the use of YE, he/she must make that election on or before the sales closing date with the assuming AIP. YE is considered a new election with the assuming AIP, and all actual yields for an eligible crop year will be automatically excluded. Any crop years that were previously opted-out will need to be identified again with the assuming AIP.

### Interaction with Yield Adjustment

Producers can elect and apply both Yield Adjustment (YA) and YE options on a policy and within an APH database. Only one of the options can be applied to an actual yield for an eligible crop year within a database. If both options are elected to apply to all eligible crop years and a crop year qualifies for both elections, YE will apply to an actual yield in an eligible crop year unless the insured chooses to not exclude that yield in the APH database. If the insured chooses to opt out of the YE on an eligible crop year and has elected YA, the yield adjustment will apply. The insured also has the option to opt out of the YE on an eligible year and not apply the yield adjustment (YA), if he/she chooses.

### Impact of Yield Exclusion on Simply Average T-Yields

Added land and new Crop/Practice/Type procedures are not affected by the election of YE, however, the calculations for Simple Average T-Yields (SA T-Yields) are changed when an actual yield in an eligible year is excluded. Instead of utilizing the approved APH yield from each of the insured's existing APH databases for the policy that have at least one year of actual/assigned yields, by Crop/P/T/T-Yield Map Area to calculate the SA T-Yield, the calculations will use the adjusted yield for those APH databases with excluded actual yields in an eligible crop year that have at least one actual/assigned yield prior to any exclusions and the approved APH yield for those APH databases where actual yields have not been excluded that have at least one actual/assigned yield.

