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MARGIN PROTECTION INSURANCE STANDARDS HANDBOOK

2023 and Succeeding Crop Years

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**UNITED STATES DEPARTMENT OF AGRICULTURE
FARM PRODUCTION AND CONSERVATION
RISK MANAGEMENT AGENCY
KANSAS CITY, MO 64133**

TITLE: Margin Protection Insurance Standards Handbook	NUMBER: FCIC – 20260U OPI: Product Administration Standards Division
EFFECTIVE DATE: 2023 and Succeeding Crop Years	ISSUE DATE: August 2, 2022
SUBJECT: Provides the procedures and instructions for administering the Margin Protection Plan of Insurance	APPROVED: <i>/s/ Richard Flournoy</i> Deputy Administrator for Product Management

REASON FOR ISSUANCE

This handbook provides underwriting standards for administering Margin Protection Plan of Insurance (MP) for the 2023 and succeeding crop years. All reinsured companies are to utilize these standards for both underwriting and training.

SUMMARY OF CHANGES

Listed below are the significant content changes to the FCIC-20260. All major changes and additions are highlighted. Three asterisks (***) indicate where major deletions occurred. Minor changes and corrections are not included in this listing.

Reference	Description of Change
Entire Handbook	Formatting updates throughout
Paragraph 1C	Page 1. Added Title VI of the Civil Rights Act of 1964.
Paragraph 1G	Page 3. Related Handbooks.
Paragraph 21A	Page 5. Added language for unit structure, coverage levels, and premium credit.
Paragraph 21A	Page 6. Revised language to show county yield data is from RMA.
Paragraph 22	Page 8. Added language for insuring seed type under MP and YDO when seed type is offered under MP.
Paragraph 34	Page 12. Added language to address entity structure changes after MP SCD but before base policy SCD.

MARGIN PROTECTION INSURANCE STANDARDS HANDBOOK

CONTROL CHART

	TP Page(s)	TC Page(s)	Text Page(s)	Exhibit Page(s)	Date	Directive Number
Current Index	1-2	1	1-23	24-27	08-2022	FCIC-20260U

FILING INSTRUCTIONS

This handbook replaces the 2019 Margin Protection Insurance Standards Handbook, FCIC-20260U (09-2018). This handbook is effective for the 2023 and succeeding crop years and is not retroactive to any 2022 or prior crop year determinations.

MARGIN PROTECTION INSURANCE STANDARDS HANDBOOK

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PART 1: GENERAL INFORMATION AND RESPONSIBILITIES

1 General Information

A. Purpose and Objective

This handbook provides procedure for administering the MP plan of insurance in accordance with the Common Crop Insurance Policy Basic Provisions (Basic Provisions), the MP Policy Provisions, the MP Crop Provisions, and the Margin Price Provisions.

If there is a conflict between this handbook and the CIH or other FCIC approved handbook, this handbook controls. If there is a conflict between this handbook and the policy, the policy controls.

B. Source of Authority

The MP is a privately-developed product submitted and approved by the FCIC Board of Directors in accordance with Section 508(h) of the Federal Crop Insurance Act.

C. Title VI of the Civil Rights Act of 1964

The USDA prohibits discrimination against its customers. Title VI of the Civil Rights Act of 1964 provides that “No person in the United States shall, on the ground of race, color, or national origin, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving Federal financial assistance.” Therefore, programs and activities that receive Federal financial assistance must operate in a non-discriminatory manner. Also, a recipient of RMA funding may not retaliate against any person because they opposed an unlawful practice or policy, or made charges, testified, or participated in a complaint under Title VI.

It is the AIPs’ responsibility to ensure that standards, procedures, methods, and instructions, as authorized by FCIC in the sale and service of crop insurance contracts, are implemented in a manner compliant with Title VI. Information regarding Title VI of the Civil Rights Act of 1964 and the program discrimination complaint process is available on the USDA public website at www.ascr.usda.gov. For more information on the RMA Non-Discrimination Statement see the DSSH.

D. Approved Area

MP is available in select counties for corn, rice, soybeans, and wheat in the following states:

Rice (select counties)	Corn (select counties)	Soybeans (select counties)	Wheat (select counties)
Arkansas	Iowa	Iowa	Minnesota
California	Illinois	Illinois	Montana
Louisiana	Indiana	Indiana	North Dakota
Mississippi	Kansas	Kansas	South Dakota
Missouri	Michigan	Michigan	
Texas	Minnesota	Minnesota	
	Missouri	Missouri	
	Nebraska	Nebraska	
	North Dakota	North Dakota	
	Ohio	Ohio	
	South Dakota	South Dakota	
	Wisconsin	Wisconsin	

E. Applying for Margin Protection Coverage

AIPs shall use the standard application for MP. The application must indicate the insured has selected MP or MP-HPO along with other required information. Use the standard application or policy change form to add MP coverage to a base policy or to transfer the MP policy from another AIP.

MP or MP-HPO coverage can be purchased in one of two forms.

- (1) One form includes the Basic Provisions, a base policy (as defined by the MP Policy Provisions, 19-MP), MP Policy Provisions, and the applicable MP Crop Provisions.

All policies must be insured with the same AIP. On or before the MP SCD, the insured and the AIP must confirm the base policy is transferred if the base policy is currently with another AIP. The insured must complete and submit to the assuming AIP (with the MP application) a Policy Transfer/Application, or the assuming AIP must complete and sign, and have the insured sign a Request to Transfer a Policy with the ceding AIP’s policy number(s) for the base policy being transferred.

- (2) The other form is a stand-alone policy that includes the Basic Provisions, MP Policy Provisions, and the applicable MP Crop Provisions.

No base policy may be in effect on the MP insured crop if this option is elected.

E. Applying for Margin Protection Coverage (continued)

If the insured has a crop insurance policy that is not a base policy in effect on the crop on the SCD for MP, the insured must cancel said policy for the crop year to be covered by the MP policy for that crop. The notice of cancellation must be submitted on or before the MP SCD. Failure to execute cancellation as specified will result in an incomplete application for MP and it will not be accepted.

F. Related Handbooks

Important: Not all sections of related handbooks or all procedures in a section apply to the MP Program. See [Part 3](#) for more information.

The following table provides handbooks related to this handbook.

Directive	Handbook	Relation/Purpose
18010	Crop Insurance Handbook	This handbook provides the official FCIC approved underwriting standards for policies administered by AIPs for the General Administrative Regulations, Actual Production History Regulation Subpart G; Common Crop Insurance Policy Basic Provisions, and Area Risk Protection Regulations.
24040	Document and Supplemental Standards Handbook	This handbook provides the official FCIC approved form standards and procedures for use in the sale and service of any eligible Federal crop insurance policy; required statements and disclosures; and the standards for submission and review of non-reinsured supplemental policies in accordance with the SRA.
18190	General Standards Handbook	This handbook provides the official FCIC approved standards for policies administered by AIPs under the General Administrative Regulations, Common Crop Insurance Policy Regulations Basic Provisions, including the Catastrophic Risk Protection Endorsement, Actual Production History Regulation Subpart G; the Area Risk Protection Insurance Regulations Basic Provisions; the Stacked Income Protection Plan of Insurance; the Rainfall and Vegetation Index Plans; and the Whole-Farm Revenue Protection Pilot Policy.
25010	Loss Adjustment Manual Standards Handbook	This handbook provides the official FCIC approved general loss adjustment standards for all levels of insurance provided under FCIC unless a publication specifies that none or only specified parts of this handbook apply.

G. Approved Insurance Provider (AIP) Option to Offer

In accordance with Section II. (a) (3) of the SRA, AIPs are not required to offer MP to insureds. Accordingly, each AIP must determine whether it will offer the MP in the approved pilot area. AIPs that elect to offer the MP must offer it to all eligible insureds in the approved pilot area and must administer the program according to the policies approved and issued by FCIC, procedures in this handbook, and the provisions of Section II. (a) (3) of the SRA.

2 Responsibilities

A. AIP Responsibilities

AIPs must use standards, procedures, methods, and instructions as authorized by FCIC in the sale and service of crop insurance contracts. Each AIP is responsible for using RMA approved procedure. AIPs should report any program issues or concerns to the PASD of RMA.

B. Insured's Responsibilities

To be eligible for the MP, insured must comply with all terms and conditions of the Basic Provisions, MP Policy Provisions, and the applicable MP Crop Provisions.

3-20 (Reserved)

PART 2: INSURABILITY

21 MP Insurability Requirements

A. Base Policy

MP can be purchased by itself, or in conjunction with a Yield Protection or Revenue Protection base policy. The base policy, if purchased, must be purchased from the same AIP as the issuer of MP policy. On or before the MP SCD, the insured and the AIP must confirm the base policy is transferred if the base policy is currently with another AIP. Only Yield Protection, Revenue Protection, or Revenue Protection with HPE (plans 01, 02, and 03) can be a base policy. No other policy qualifies as a base policy.

MP with a base policy uses the acreage report of the base policy. MP types and practices are shown in MP actuarial documents. Any of the MP types and practices that are the same as the base policy types and practices in the actuarial documents are insurable for MP. The MP policy types and practices that match the base policy types and practices are eligible to receive a premium credit for those that match. If a type and practice for MP and the base policy do not match, they are insurable if shown in the MP actuarial documents, but a premium credit cannot be calculated for those types and practices.

MP allows different coverage levels by type and practices as specified in the MP policy. MP does not have in the AIB or require the LP optional coverage code. When the base policy elects different coverage levels by irrigated practice (the LP optional coverage code in the base policy actuarial documents), MP may have the same or different coverage levels by irrigated practice as specified in the MP policy.

There is no restriction with regards to the agent or agency. One agency can have the base policy and a different agency may carry the MP coverage if they are both with the same AIP.

Purchase of any other insurance policy not authorized by the MP Plan Provisions will be subject to the terms of Section 22 of the Basic Provisions. These provisions do not preclude purchase of any crop insurance policy that is not reinsured by the FCIC (crop-hail, a non-reinsured supplemental policy, or similar). Whole Farm Revenue Protection Policy cannot be purchased with MP.

An insured who elects SCO on the base policy is not eligible for MP. However, the base policy may include other available endorsements. For example, for rice the base policy could include the Downed Rice Endorsement.

The beginning farmer or rancher subsidy applies for additional coverage policies (buy-up) that have premium subsidy including MP. The native sod subsidy decrease also applies to MP.

A base policy issued under the Basic Provisions provides the insured with coverage for individual losses, replanting payments and prevented planting payments as authorized by the various crop provisions, and coverage for quality losses. Individual losses under the base policy are paid near the time the loss occurred whereas losses under MP are similar to ARPI where indemnities are not paid until final area yields are available.

A. Base Policy (Continued)

If there is a loss paid under the insured's base policy, the indemnity amount from that policy will be subtracted from any loss under the MP policy. The indemnity to be included for this purpose will not include any payment received for replanting or prevented planting from the base policy. If the MP indemnity is larger than the base policy indemnity, the amount of indemnity paid will be the difference between the total base policy indemnity and the total MP indemnity as long as the difference is less than the total Liability. If the MP indemnity is smaller, no indemnity is due under MP.

B. County Yields

The Expected County Yield is the yield established for each insured crop, type, and practice, used to determine the Expected Revenue. Expected county yields used for MP will be determined with crop insurance data. If crop insurance data is unavailable, RMA will determine the expected county yield in accordance with Section 14 of the MP Endorsement. The Expected County Yield is also used for standalone policies by type and practice for the purpose of determining the Dollar Amount of Insurance and the Liability under MP.

Final County Yield is the yield established for each insured crop, type, and practice used to determine the final revenue (per acre). The Final County Yield will be determined by RMA using crop insurance data. If crop insurance data is unavailable, RMA will determine the Final County Yield in accordance with the Section 14 MP Endorsement.

C. Production Reporting

(1) Insureds with a Base Policy

An insured that has a base policy under the Basic Provisions is not required to file a separate production report for MP. The production report for the base policy will be used as the production report for MP. It is due on the date specified in the actuarial documents for the base policy.

(2) Standalone Policies – Insureds without a Base Policy

An insured that does not have a base policy is required to file a Margin Production Report for MP in accordance with the terms of Section 6(e) of the MP Provisions. The Margin Production Reporting date for standalone policies is the date specified in the actuarial documents.

An insured who fails to submit a Margin Production Report by the production reporting date specified in the actuarial documents will be limited to the lowest MP coverage level available for the next crop year. Since the production reporting date for corn, soybeans and wheat is after the SCD for the next crop year, this determination will be retroactive to the SCD for the next crop year.

D. Acreage Insured and Acreage Reporting

All acreage in the county planted to a crop type and practice that is insurable under the MP Crop Provisions must be insured. Acreage must be planted to the insured crop on or before the final planting date shown in the actuarial documents and must be reported to the AIP by the acreage reporting date. Acreage initially planted after the MP final planting date must be reported as uninsurable. The late planting provisions of the Basic Provisions are not applicable to MP. The final planting dates for MP shown in the actuarial documents are the final planting date for a base policy on the crop plus the 25-day late planting period under the base policy.

If the AIP denies liability for unreported acreage, no premium will be due on such acreage and no indemnity will be paid.

If the insured has a base policy, the insurable planted acres of each insurable unit, type, and practice reported for that policy will be used as the acreage report for MP. If the insured does not have a base policy, all insurable planted acres must be reported in accordance with the terms of Section 6 of the Basic Provisions.

Insurance is not provided by MP on acreage that is or would be eligible for a prevented planting payment under a base policy issued under the Basic Provisions whether or not the insured elects a base policy on the crop.

E. Eligibility Requirements

To be eligible for the MP, the insured must comply with all terms and conditions of MP and the MP Crop Provisions in addition to the terms of the Basic Provisions (if applicable) that are not in conflict with MP. If a conflict exists, the MP Policy and MP Crop Provisions are applied. See the insurance documents for other terms and conditions for an insured crop and insured acreage.

F. MP Program Dates

The applicable sales closing, cancellation, termination, and contract change dates are depicted in the applicable MP Crop Provisions.

Important: The SCD for Corn, Soybeans, and Spring Wheat is September 30 of the calendar year preceding the crop year, which is well ahead of the base policy SCD. The SCD for rice is the same as plan codes 01, 02, and 03.

22 Insurable Types and Practices

Insurable types and practices are identified in the actuarial documents.

MP Corn Crop Provisions state hybrid seed corn is insurable if identified as a T/P in the county actuarial documents. If seed is shown as an insurable type in the county, it is insurable at the same expected and harvest margin as grain.

22 Insurable Types and Practices (Continued)

MP offers seed type in counties that also offer the Hybrid Seed Policy (plan 55). If both plans are available in a county, an insured must choose either the MP policy or the Hybrid Seed policy, but not both. If MP doesn't offer seed type in the county, it is not insurable under the MP policy. If the insured does insure their seed type under MP, they will need to insure all corn acres under MP. If MP offers seed type in the county, additional details for its insurance are included in the SP for the county.

MP Corn Crop Provisions state silage type is insurable if identified as a T/P in the county actuarial documents. If silage is shown as an insurable type in the county, it is insurable at the same expected and harvest margin as grain and all information will be shown in bushels, not tons.

23 Units

The provisions of the Basic Provisions (Section 34) regarding units and unit division are applicable to MP with a base policy with the exception that whole farm units are not available under MP. The base policy may be under a whole farm unit but separate records of acreage and production for the MP crop must be maintained by type and practice in accordance with the CIH and the LAM. In the case of a loss under the whole farm unit base policy, the amount of the indemnity associated with the base policy crop must be identified and subtracted from any MP indemnity in accordance with [Para. 48](#). MP with a base policy will have the same unit structure as the base policy.

All planted acreage of each type and practice is a unit if MP is a stand-alone policy.

24 Causes of Loss

Any natural event that causes the Harvest Margin to be less than the Trigger Margin will result in an insurable cause of loss unless FCIC can prove that the reason for any price change was due to an uninsurable cause of loss. An indemnity could result from a Final County Yield that differs from the Expected County Yield, a Margin Harvest Price that differs from the Margin Projected Price, or one or more harvest prices for inputs subject to price change differ from the applicable projected prices for those inputs, or any combination of these events.

The MP portion of the coverage protects against increases in production costs, decreases in the national price of the insured commodity, or reductions in yield at the county level.

Failure to follow good farming practices or planting or producing a crop using a practice that has not been widely recognized as used to establish the Expected County Yield, is not an insurable cause of loss.

25 Premiums and Administrative Fees

The base rate (dollar amount of premium per acre) will be included in the actuarial documents once price discovery is completed. The premium amount for MP coverage will be determined for each margin unit by multiplying the reported acres by the base rate (per acre) and by the insured's share at the time coverage begins. Those premium amounts apply to MP as stand-alone coverage; a credit will be given if the insured elects a base policy. The amount of the credit is based on the expected reduction in MP indemnities that instead will be paid under the base policy. The insured will owe a separate administrative fee for MP even if they have a base policy.

26 MP Coverage and Trigger Margins

Coverage is based on the Expected Margin which is calculated by subtracting the Expected Cost (per acre) from the Expected Revenue (per acre) by crop, type, and practice. The MP Trigger Margin is the Expected Margin less the deductible implied by the Margin Coverage Level and the Expected Revenue. It is calculated as $\text{Expected Margin} - (\text{Expected Revenue} \times (1.00 - \text{the Margin coverage level selected by the insured}))$.

Margin Coverage Levels are elected by crop, type, and practice in five percent (5%) increments from 70 percent to 95 percent unless specified otherwise on the actuarial documents. The CAT level of coverage is not available as a base policy under MP but may be chosen in accordance with the Basic Provisions for high-risk land. CAT acres are not insurable under MP and do not receive a premium credit. The base policy must have the same type and practices as the MP policy. If it does not, the premium credit for MP may be reduced or eliminated. The HR-ACE may be chosen on a base policy, but those acres are not insurable under MP. The insured may select any Margin Coverage Level shown on the actuarial documents for each crop, type, and practice.

27 Projected Prices and Margin Harvest Prices

In addition to the Trigger Margin, MP incorporates a defined Liability which establishes an upper limit on the MP indemnity and is used to calculate premium. See [Para. 41](#) for the details and procedures for determining the Liability.

Three sets of projected and harvest prices are used under MP. All applicable prices will be available through the MP link on RMA's website.

- (1) Margin Projected Price and Margin Harvest Price for the insured crop.

Similar to the CEPP, the Margin Price Provisions specifies how and when the Margin Projected Price and the Margin Harvest Price will be determined by crop.

The price discovery periods for the Margin Projected Prices for corn, rice, soybeans, and spring wheat, together with the Projected Price discovery periods established under the Basic Provisions CEPP for each crop, are shown in the following table:

Commodity	Discovery Period (Margin Price Provisions)	Discovery Period (CEPP)
Corn	August 15 – September 14	February 1 – February 28
Rice	Varies by State; same as CEPP	Varies by State
Soybeans	August 15 – September 14	February 1 – February 28
Spring Wheat	August 15 – September 14	February 1 – February 28

Most price discovery periods for Margin Projected Prices for MP occur earlier than under the CEPP because insureds are making production plans and arranging for the purchase of inputs late in the preceding calendar year and early in the year the crops will be planted. Changes in prices during this period can affect profitability. MP allows the insured to “lock” a margin based on current expectations of commodity and input prices.

The Margin Harvest Price discovery periods for the commodities are the same as those specified in the CEPP. The Margin Harvest Price will not be greater than the Margin Projected Price multiplied by 2.00.

- (2) Projected Input Price and the Harvest Input Price for inputs subject to price change.

The Margin Price Provisions specify how the Projected Input Price and Harvest Input Price for the inputs subject to price change will be determined by crop.

The price discovery periods for projected prices of inputs subject to price change are the same as the margin price discovery periods for the commodities. This allows the Expected Margin to be calculated on the basis of current market expectations for both the commodity prices and the input prices.

The price discovery periods for harvest prices of inputs subject to price change occur earlier than the Margin Harvest Price discovery periods for the commodities because a high percentage of the quantity of inputs needed to produce a crop are associated with planting and the few weeks immediately following.

- (3) Projected Input Prices and the Harvest Input Prices for inputs not subject to price changes.

27 Projected Prices and Margin Harvest Prices (Continued)

Inputs not subject to price change are identified as a specific dollar amount per acre.

The Margin Price Provisions are a part of the policy for all crops for which MP is available. If the insured has a base policy, the Margin Price Provisions do not apply and the CEPP will apply to that base policy.

The insured must elect 100 percent of all prices under MP.

28 Quality Adjustment

As is the case with all area plans of insurance, no quality adjustment is offered.

29 Transfer of Policy

If the policy is transferred to a different AIP, the MP policy and MP Crop Provisions must be included on the Policy Transfer/Application or Application form submitted to the AIP to which the transfer is effective on or before the applicable SCD.

Any crop insurance policy that is not a base policy that is in effect on the insured crop on the SCD for MP must be cancelled for the subsequent crop year. The cancellation must be effective not later than the SCD for MP.

If Example: You have an ARPI policy in effect for the 2018 corn crop. This is not a base policy. It must be cancelled for the 2019 crop year and the notice of cancellation must be provided to the AIP no later than September 30, 2018.

A crop insurance policy that is a base policy and is in effect on the insured crop on the SCD for MP but that is currently issued by a different AIP must be transferred to the AIP that issued the MP policy for the same crop year covered by the MP policy. The transfer must be effective not later than the SCD for MP.

Example: You have a Revenue Protection policy in effect for the 2018 crop of corn, but that policy is not with the AIP from which you purchased MP coverage. This is a base policy. The policy must be transferred to the AIP who has the MP policy for the 2019 crop year (or cancelled if you do not wish to have a base policy) and the notice of the transfer (or cancellation) must be provided to the AIP with the MP policy not later than September 30, 2018.

The base policy must be assigned to the AIP that holds the MP policy on or before the SCD for MP. This provision does not affect any of the insured's rights under the base policy (with the exception of buying SCO) that may be exercised up to and including the SCD for the base policy. Those rights include changes in coverage level, yield substitution, and others including the right to cancel the base coverage for the crop year.

Failure to cancel or transfer a base policy that is currently issued by a different AIP on or before the SCD for the MP policy results in no coverage for MP.

30 Production Inputs

Production inputs are defined in the MP Provisions as Allowed Inputs. These resources, found on the MP link on RMA's website, are those typically used to produce the insured crop in the county where the insured acreage is located. Two types of production inputs are specified: those subject to price change and those that are not subject to price change. Inputs subject to price change are, for example, diesel fuel, interest, fertilizers, and other inputs for which projected and harvest prices can be obtained from markets.

Inputs not subject to price change are, for example, seed, machinery operating costs (other than fuel), and similar expenses.

Inputs subject to price change are identified with an average quantity used per acre. Inputs not subject to price change are identified as a specific dollar amount per acre and are not specifically identified. Only the dollar amount for all such inputs is specified.

31 Replanting and Prevented Planting Payments

Replanting payments and prevented planting payments are not available under MP. A base policy must be purchased if an insured wishes to obtain this coverage.

32 Written Agreements

Written agreements are not allowed under MP.

33 Landlord – Tenant

The terms of Section 10(a)(2)(ii) of the Basic Provisions that allow a tenant to insure the insurable interest of the landlord (or vice-versa) apply for a stand-alone MP policy. However, whenever there is a base policy, those terms apply only if the interests of each party are insured under both the MP policy and the base policy. If one party does not want to insure under the base policy or the MP policy, each party then must separately apply for the desired coverage. Example: the tenant wants coverage under MP and a base policy, but the landlord wants coverage only under the base policy. Each party must make separate application for insurance.

GSH Paragraph “231 Death, Disappearance or Judicial Declaration of Incompetence.”

Modifications for MP:

Add the following to the end of this section as new Section D:

D. MP Policies

- (1) If the named insured of a MP policy dies, disappears, or is judicially declared incompetent, the policy will default to the spouse if all the following are met:
 - (a) The surviving spouse was included on the MP policy as having a SBI in the named insured;
 - (b) The surviving spouse has a share in the crop; and
 - (c) The named insured’s share does not convert to an estate or is not otherwise legally transferred to a person other than a spouse.
- (2) If any of these events occurs prior to the cancellation date for the base policy and a base policy does not exist, the surviving spouse of the named insured on the MP policy can apply in their name for a base policy and be eligible for a premium credit.
- (3) A surviving spouse who does not have a SBI in the named insured on the MP policy and who has a share in the crop may purchase a base policy for that share. However, this base policy cannot be linked to the MP policy since that policy is subject to the terms of Section 2(g)(3) of the Basic Provisions and will not default to the surviving spouse.

In the case of all other persons, including a surviving spouse whose circumstances do not satisfy all the conditions stated in the first paragraph of subsection D(1), if the death, disappearance, or judicial declaration of incompetence occurred later than 30 days prior to the MP cancellation date but more than 30 days prior to the base policy cancellation date and a base policy exists, the base policy is automatically cancelled. No application for a base policy may be accepted because the MP policy continues in force subject to the terms of Section 2(g)(3)(ii) of the Basic Provisions.

GSH Paragraph “232 Other Causes”

Modifications for MP:

MP SCDs for corn, soybeans, and wheat are earlier than the base policy. If a person buys a MP policy and changes the entity structure before the base policy SCD, then the MP and base policy cannot be linked. The MP policy will not receive a premium credit or offset in any applicable indemnity to the base policy.

The Trigger Margin (per acre) is the Expected Margin (per acre) less the deductible implied by the Expected Revenue and the Margin Coverage Level.

Trigger Margin (calculated on a per acre basis) is:

$$\text{Trigger Margin} = \text{Expected Margin} - (\text{Expected Revenue} \times (1.00 - \text{Coverage Level})); \text{ where:}$$

Expected Revenue (per acre) is the Expected County Yield multiplied by the Margin Projected Price.

The Expected Margin is the result of subtracting the Expected Costs from the Expected Revenue. This same calculation is used when the Final County Yield s and harvest prices are known to determine the Harvest Margin.

The Expected Revenue is the Expected County Yield multiplied by the Margin Projected Price by crop, type and practice. The Harvest Revenue is the Final County Yield multiplied by the harvest price by crop, type, and practice.

The Expected Margin (calculated on a per acre basis) is:

$$\text{Expected Margin} = \text{Expected Revenue} - \text{Expected Costs}; \text{ where:}$$

Expected Revenue (per acre) is the Expected County Yield multiplied by the Margin Projected Price.

If the insured elects MP-HPO, the Expected Revenue (per acre) is the Expected County Yield multiplied by the greater of the Margin Projected Price and the margin harvest price.

$$\text{Expected Revenue} = \text{Expected County Yield} \times \max(\text{Margin Projected Price}, \text{Margin Harvest Price})$$

The Expected County Yield is the area yield for each insured crop, type, and practice contained in the actuarial documents for the purpose of determining the Expected Revenue. The Margin Projected Price and Margin Harvest Price are established as determined by the Margin Price Provisions.

Expected Cost (per acre) is the dollar amount determined by multiplying the quantity of each Allowed Input (subject to price change) by the Projected Input Price for that input, summing those results, and adding to that sum the total dollar value of the inputs not subject to price change.

Example

Assume a crop has two inputs subject to price change specified on the actuarial table, as follows:

Diesel Fuel	7.5 gallons/acre
Nitrogen	150.0 lbs./acre

These data indicate that each acre requires an average of 7.5 gallons of diesel fuel and 150.0 pound of nitrogen to produce the expected yield. These estimates are applicable to very large areas and will not be precise for any particular farming operation. The actuarial table will specify a dollar amount per acre to represent inputs not subject to price change (seed, farmer labor, others). Assume this amount is \$300 per acre.

The first step to calculating the Expected Margin is to determine the Expected Revenue. Assume the Expected County Yield is 150 bushels per acre and the Margin Projected Price for corn is \$4.00 per bushel.

The Expected Revenue per acre is:

$$150 \text{ bu.} \times \$4.00 = \$600.00 \text{ per acre}$$

The second step to calculating the Expected Margin is calculating the Expected Costs. Margin Projected Input Prices are \$3.50 per gallon for diesel fuel and \$1.00 per pound for nitrogen.

The Expected Costs per acre are:

$$\text{Diesel (7.5 gallons} \times \$3.50 = \$26.25) + \text{Nitrogen (150 pounds} \times \$1.00 = \$150.00) + \\ \text{Other inputs (\$300.00)} = \text{Expected Costs of } \$476.25 \text{ per acre.}$$

The Expected Margin per acre is:

$$\$600.00 - \$476.25 = \$123.75$$

The Expected Margin is expressed on an area level, not an individual insured level. All acres in a county have the same Expected Margin for a type and practice (i.e., same Expected County Yield). MP then incorporates the Margin Coverage Level to determine the Trigger Margin. Assuming a 90 percent Margin Coverage Level:

Expected Margin – {Expected Revenue x (1.00 - Margin Coverage Level)} = Trigger Margin

$$\$123.75 - \{\$600 \times (1.00 - 0.90)\} = \$63.75 \text{ per acre}$$

Unexpectedly high costs or unexpectedly low revenue can result in a drastically impaired margin. For example, assume a total crop loss. The financial impact on the insured would be equal to the foregone income from crop sales plus the costs incurred to date to produce the crop. The above amount, \$63.75 per acre represents only a portion of the potential loss of expected net revenue.

To account for this possibility for policies with a base policy, MP establishes a maximum possible indemnity payment, designated as the Liability, which is calculated as follows:

MP: (County Expected Yield x Projected Price) x Coverage Level x Protection Factor = Dollar Amount of Insurance (per acre).

MP-HPO: County Expected Yield x max (Margin Projected Price or Margin Harvest Price) x Coverage Level x Protection Factor = Dollar Amount of Insurance (per acre).

41 Dollar Amount of Insurance (per acre) and Liability Calculations

Dollar Amount of Insurance (per acre) x acres x share = Liability

The MP indemnity payment is limited to the Liability amount regardless of the outcome of the county yield, commodity price change, and input price change.

MP Protection Factor ranges from 80% to 120% in 1% increments. A different protection factor is allowed by insured crop, type, and practice.

Assume a 500 acre unit with an Expected County Yield of 150 bushels per acre, a Margin Projected Price of \$4.00/bu., 90% coverage level and 1.00 Protection Factor at a 100 percent share without MP-HPO. The Liability is (for this example):

$$150 \text{ bu.} \times \$4.00 \times 90\% \times 1.00 = \$540 \text{ Dollar Amount of Insurance (per acre)}$$

$$\$540 \times 500 \text{ acres} \times 1.00 \text{ share} = \$270,000 \text{ Liability}$$

Example (Negative Expected Margin)

MP offers may be extended when the Expected Margin is negative. Assume all of the same variables used in the previous example, except the Margin Projected Price is \$3.00/bu.

The Expected Revenue per acre is:

$$150 \text{ bu.} \times \$3.00 = \$450.00 \text{ per acre}$$

Expected Margin per acre is:

$$\$450.00 - \$476.25 = -26.25/\text{acre}$$

Trigger Margin is:

$$-\$26.25 - \{\$450 \times (1.00 - 0.90)\} = -71.25/\text{acre}$$

MP Dollar Amount of Insurance is:

$$150 \text{ bu.} \times \$3.00 \times 90\% \times 1.00 = \$405 \text{ Dollar Amount of Insurance (per acre)}$$

$$\$405 \times 500 \text{ acres} \times 1.00 \text{ share} = \$202,500 \text{ Liability}$$

42-43 (Reserved)

MP Premium = Reported acres x Premium Amount (per acre) x Protection Factor x Share.

Assume that the premium amount for MP as a stand-alone policy for the 90 percent Margin Coverage Level selected by the insured is \$30.00 per acre. There are 500.0 reported acres and the insured elects a 1.00 Protection Factor.

Continuing the above example, the premium for MP as a stand-alone policy would be:

$$500.0 \text{ acres} \times \$30 \times 1.00 \text{ share} \times 1.00 \text{ Protection Factor} = \$15,000$$

The subsidy rate for MP is the same as the rate established for ARPI policies. The subsidy factor for a 90 percent ARPI policy is 44 percent. Hence, the insured in this example would have an out-of-pocket premium equal to:

$$\$15,000 \times (1.00 - 0.44) = \$8,400 \text{ } (\$16.80 \text{ per acre})$$

An insured who elects a base policy will receive a premium credit to recognize the potential losses that are estimated to be paid by that policy (i.e., deducted from the MP indemnity).

The credit on the MP premium when an insured purchases a base policy is based on the reduction in expected MP indemnity due to the base policy purchase decision. The amount of the credit for the base policy will depend on the insured's historical unit yields relative to the county yields for the same years and the coverage level elected for the base policy. The premium credit will be determined when all information needed to establish Liability under the base policy is known.

Assume that the amount of the credit is equivalent to \$5.00 per acre. In this case, the MP premium would be reduced to:

$$\$15,000 - (500.0 \text{ acres} \times \$5.00) \times 1.000 \text{ share} = \$12,500$$

The subsidized premium with the premium credit would be:

$$\$12,500 \times (1.00 - 0.44) = \$7,000$$

45-47 (Reserved)

In the event of loss covered by MP, the indemnity is calculated by subtracting the Harvest Margin (per acre) from the Trigger Margin (per acre) and then multiplying this difference by the insured acres and the share.

$$\text{Harvest Margin (per acre)} = \text{Harvest Revenue (per acre)} - \text{Harvest Cost (per acre)}$$

Harvest Revenue (per acre) is determined by multiplying the Final County Yield by the Margin Harvest Price. This functions the same as ARPI.

Harvest Cost (per acre) is a Dollar Amount determined by multiplying the quantity of each Allowed Input (subject to price change) by its Harvest Input Price, summing those results, and adding to this amount the dollar amount of approved inputs (not subject to price change). This final result is the Harvest Cost.

If there is no base policy, the indemnity, not to exceed the Liability, equals:

$$(\text{Trigger Margin} - \text{Harvest Margin}) \times \text{insured acres} \times \text{share} \times \text{Protection Factor}$$

If there is a base policy, the amount of any indemnity (note: this does not include replanting payments or prevented planting payment) received from the base policy is subtracted from the MP indemnity. If that result is positive, the lesser of that result or the total Liability will be the indemnity.

Example 1:

Assume the following outcomes occur for the crop year:

Acres Planted	= 500
Final County Yield	= 130 bu.
Margin Harvest Price	= \$4.25 per bushel
Diesel fuel price	= \$4.00 per gallon
Nitrogen price	= \$1.25 per pound
Other inputs	= \$300.00
Base policy loss	= \$11,000
Protection Factor	= 1.00
MP-HPO:	No

The **Harvest Revenue** is 130 bu. (Final County Yield) x \$4.25 per bushel = \$552.50 per acre

The **Harvest Cost** is

7.5 gallons x \$4.00	= \$ 30.00 (subject to price change)
150 pounds x \$1.25	= \$ 187.50 (subject to price change)
Other inputs	= \$ 300.00 (not subject to price change)
Harvest Costs	= \$ 517.50 total Harvest Cost (total Allowed Inputs subject and not subject to price change)

The Harvest Margin is

$$\$552.50 - \$517.50 = \$35.00 \text{ per acre}$$

The indemnity is calculated as follows (see MP Provisions):

Trigger Margin - Harvest Margin	= \$63.75 - \$35.00 = \$28.75
(a) Result (a) x insured acres	= \$ 28.75 x 500.00 = \$14,375.00
(b) Result (b) x share (assume 1.000)	= \$14,375
(c) Result (c) x Protection Factor (assume 1.00)	= \$14,375
(d) Assume no base policy, MP indemnity	= \$14,375
(e) <u>Assume base policy indemnity</u>	= <u>\$11,000</u>
(f) MP Indemnity after base policy applied	= \$ 3,375

The total Liability for the MP coverage is \$270,000. The indemnity calculated with or without a base policy is less than this amount; hence, the calculated amount is payable. If the calculated amount were to be greater than \$270,000, the indemnity would be limited to that amount.

Example 2:

Assume the following outcomes occur for the crop year:

Final County Yield	= 120 bu.
Margin Harvest Price	= \$4.25 per bushel
Diesel fuel price	= \$4.00 per gallon
Nitrogen price	= \$1.25 per pound
Other inputs	= \$300.00
Protection Factor	= 1.00
MP-HPO:	No

The Harvest Revenue is 120 bu. (Final County Yield) x \$4.25 per bushel = \$510 per acre

The Harvest Cost is

7.5 gallons x \$4.00	= \$ 30.00 (subject to price change)
150 pounds x \$1.25	= \$ 187.50 (subject to price change)
Other inputs	= <u>\$ 300.00</u> (not subject to price change)
Harvest Costs	= \$ 517.50 total Harvest Cost (total Allowed Inputs subject and not subject to price change)

The **Harvest Margin** is

$$\$510.00 - \$517.50 = - \$ 7.50 \text{ per acre (margin per acre is negative)}$$

The indemnity is calculated as follows (see MP Provisions):

(a) Trigger Margin – Harvest Margin	= \$63.75 – (-\$7.50) = \$71.25
(b) Result (a) x insured acres	= \$71.25 x 500.0 = \$35,625
(c) Result (b) x share (assume 1.000)	= \$35,625
(d) Result of (c) x Protection Factor (1.00)	= \$35,625
(e) Assume no base policy, MP indemnity	= \$35,625
(f) <u>Assume base policy indemnity,</u>	<u>= \$11,000</u>
(g) MP Indemnity after base policy applied	= \$24,625

The Liability is \$270,000. The indemnity calculated with or without a base policy is less than this amount, so the calculated amount is payable. If the calculated amount was greater than \$270,000, the indemnity would be limited to that amount. Note: a negative margin is expected to be a rare event. This example is intended to illustrate the possibility, not to suggest it could be a common occurrence.

Example 3:

Assume the following outcomes occur for the crop year:

Acres Planted	= 500
Expected County Yield	= 150 bu.
Final County Yield	= 140 bu.
Margin Projected Price	= \$4.00 per bushel
Margin Harvest Price	= \$4.25 per bushel
Diesel fuel price	= \$4.00 per gallon
Nitrogen price	= \$1.25 per pound
Other inputs	= \$300.00
Base policy loss	= \$11,000
Protection Factor	= 1.00
MP-HPO:	Yes

The Margin Harvest Price is greater than the Margin Projected Price, so the Trigger Margin is recalculated.

The Expected Revenue per acre is:

$$150 \text{ bu.} \times \max(\$4.00, \$4.25) = \$637.50 \text{ per acre}$$

Expected Costs remain at \$476.25 per acre.

The Expected Margin per acre is:

$$\$637.50 - \$476.25 = \$161.25$$

48 Indemnity Calculations (continued)

Expected Margin - {Expected Revenue x (1.000 - coverage level)} = Trigger Margin
 $\$161.25 - \{637.50 \times (1.000 - 0.90)\} = \97.50 per acre

The Harvest Revenue is 140 bu. (Final County Yield) x \$4.25 per bushel = \$595 per acre

The Harvest Cost is

7.5 gallons x \$4.00 = \$ 30.00 (subject to price change)

150 pounds x \$1.25 = \$ 187.50 (subject to price change)

Other inputs = \$ 300.00 (not subject to price change)

Harvest Costs = \$ 517.50 total Harvest Cost (total of Allowed Inputs subject and not subject to price change)

The **Harvest Margin** is

$\$595.00 - \$517.50 = \$77.50$ per acre

The indemnity is calculated as follows (see MP Provisions):

(a) Trigger Margin – Harvest Margin = $\$97.50 - \$77.50 = \$20.00$

(b) Result (a) x insured acres = $\$ 20.00 \times 500.0 = \$10,000$

(c) Result (b) x share (assume 1.000) = \$10,000

(d) Result (c) x Protection Factor (1.00) = \$10,000

(e) Assume no base policy, MP indemnity = \$10,000

(f) Assume base policy indemnity = \$ 0,000

(g) MP Indemnity after base policy applied = \$10,000

49-50 (Reserved)

PART 3: APPLICABILITY OF HANDBOOKS

51 General Overview

This part identifies information specific to the applicability of the CIH, LAM, and any other procedural issuance that may require supplemental information with regard to a crop insured under the MP.

52 Specific Information – CIH

The duties and responsibilities identified in Parts 12, 13, 14, 15, and 17 of the CIH apply only when the insured has NOT elected a base policy.

53 Loss Adjustment Manual (LAM)

The duties and responsibilities identified in the LAM DO NOT apply to MP.

54 Loss Adjustment Standards Handbook (LASH)

The LASHs for the crops included under the MP DO NOT APPLY to MP loss determinations.

Since all information needed to calculate a MP indemnity is available from the records maintained by the AIP or from the Actuarial Documents Master, an indemnity can be calculated without requiring information from the insured.

55 General Standards Handbook (GSH)

The GSH applies to MP. Specific exceptions to the GSH are included in this document.

56-99 (Reserved)

EXHIBITS

Exhibit 1 Acronyms and Abbreviations

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

Approved Acronym	Term
AIP	Approved Insurance Provider
APH	Actual Production History
ARPI	Area Risk Protection Insurance
CAT	Catastrophic Risk protection
CEPP	Commodity Exchange Price Provisions
CIH	Crop Insurance Handbook
FCIC	Federal Crop Insurance Corporation
GSH	General Standards Handbook
HPO	Harvest Price Option
LASH	Loss Adjustment Standards Handbook
LAM	Loss Adjustment Manual
MP	Margin Protection
MP HPO	Margin Protection with Harvest Price Option
PASD	Product Administration and Standards Division
RMA	Risk Management Agency
SCD	Sales Closing Date
SCO	Supplemental Coverage Option
SRA	Standard Reinsurance Agreement

Allowed Input: A resource identified in the actuarial documents as typically used to produce the insured crop in the county where the insured acreage is located. Certain Allowed Inputs will be specified in dollars per acre and are not subject to price change; others will be specified in a quantity per acre and are subject to price change.

Approved Insurance Provider: Has the same meaning as the term “approved insurance provider” in the Federal Crop Insurance Act. For the purposes of this handbook, Approved Insurance Provider is the same as defined in the Standard Reinsurance Agreement.

Base policy: A policy of insurance at an additional coverage level issued under the Basic Provisions that includes any of the following: the Coarse Grains Crop Provisions (7 C.F.R. § 457.113), the Rice Crop Provisions (7 C.F.R. § 457.141), and the Small Grains Crop Provisions (7 C.F.R. § 457.101) or other Crop Provision or plan of insurance designated in the Special Provisions, as applicable.

Dollar Amount of Insurance (per acre): The amount we determine for a crop, type, and practice insured under MP by multiplying the Expected Revenue by the coverage level and Protection Factor. Following release of the margin harvest price, the Dollar Amount of Insurance may increase if the insured elected MP-HPO and the Margin Harvest Price is greater than the Margin Projected Price.

Expected Cost (per acre): The dollar amount determined by multiplying the quantity of each Allowed Input subject to price change by the Projected Input Price for that input, summing the dollar values so determined, and adding to this amount the dollar amount for Allowed Inputs not subject to price change.

Expected County Yield: The yield, established in accordance with Section 14 of the MP endorsement, for each insured crop, type, and practice, contained in the actuarial documents for the purpose of determining the Expected Revenue.

Expected Margin (per acre): The result obtained by subtracting the Expected Cost (per acre) from the Expected Revenue (per acre). Following release of the margin harvest price, the Expected Margin may increase if the insured elected MP-HPO and the Margin Harvest Price is greater than the Margin Projected Price.

Expected Revenue (per acre): The value determined by multiplying the Expected County Yield by the Margin Projected Price. Following release of the Margin Harvest Price, the Expected Revenue may increase if the insured elected MP-HPO and the Margin Harvest Price is greater than the Margin Projected Price.

Final County Yield: The yield, established in accordance with Section 14 of the MP endorsement, for each insured crop, type, and practice, used to determine the Harvest Revenue (per acre), and released by RMA at a time specified in the actuarial documents.

Harvest Cost (per acre): The dollar amount determined by multiplying the quantity of each Allowed Input subject to price change by the Harvest Input Price for that input, summing the dollar values so determined, adding to this amount the sum of the dollar per acre amounts of Allowed Inputs not subject to price change.

Harvest Input Price: A dollar amount per unit of an Allowed Input subject to price change, determined as specified in the Margin Price Provisions, used to determine the Harvest Cost.

Exhibit 2 Definitions (Continued)

Harvest Margin (per acre): The result of subtracting the Harvest Cost (per acre) from the Harvest Revenue (per acre).

Harvest Price Option: Refers to MP with Harvest Price Option, an insurance plan which uses the harvest price when determining the insured's Expected Revenue, Expected Margin, and the Trigger Margin.

Harvest Revenue (per acre): The result obtained by multiplying the Final County Yield by the margin harvest price.

Liability: The amount we determine by multiplying the Dollar Amount of Insurance per acre by the number of acres of the insured crop, unit, type, and practice; and, multiplying the result by the insured's share. The Liability establishes the upper limit on the MP indemnity regardless of the outcome of the county yield, commodity price change, and input price change. Following release of the margin harvest price, the Liability may increase if the insured elected MP-HPO and the Margin Harvest Price is greater than the Margin Projected Price.

Margin Harvest Price: A price determined in accordance with the Margin Price Provisions and used to determine the Harvest Revenue of the insured crop.

Margin Price Provisions: The part of the policy that contains the information needed to determine the Margin Projected Price and the Margin Harvest Price for the insured commodity and to determine the Projected Input Prices and the Harvest Input Prices.

Margin Projected Price: The price for each crop determined in accordance with the Margin Price Provisions and used to determine the Expected Revenue of the insured crop.

Margin Protection Price Provisions: The MP policy materials containing specific terms of insurance for individual crops.

Margin Coverage Level: A percentage factor the insured elects, for each type and practice, from among those offered in the actuarial documents that is multiplied by the Expected Revenue with this result subtracted from the Expected Margin to determine the Trigger Margin (per acre).

Margin Production Report: A written record showing your annual production in accordance with Section 6 of the MP Provisions. The report contains yield information for the current year, including acreage and production. This report must be supported by written verifiable records from a warehouseman or buyer of the insured crop, by measurement of farm-stored production, or by other records of production approved by us in accordance with FCIC approved procedures.

Margin Unit: The structure we use to determine the amount of Liability and indemnity, as follows:

- (a) For MP with no base policy, all the planted acreage in the county in which you have a share of each unit, type and practice identified as insurable in the actuarial documents; and
- (b) For Margin Protection with a base policy, all the planted acreage in the county in which you have a share of each unit identified on your acreage report.

Exhibit 2 Definitions (Continued)

Projected Input Price: A dollar amount per unit of an Allowed Input subject to price change, determined as specified in the Margin Price Provisions, used to determine the expected value of an Allowed Input.

RMA: The Risk Management Agency, a USDA agency that manages insurance programs for FCIC.

Trigger Margin (per acre): The Expected Margin (per acre) less the result obtained by subtracting the Expected Revenue multiplied by (one minus the coverage level). Following release of the margin harvest price, the Trigger Margin may increase if the insured elected the MP-HPO and the Margin Harvest Price is greater than the Margin Projected Price.