

**United States  
Department of  
Agriculture**



**Federal Crop  
Insurance  
Corporation**



**FCIC-20290  
(10-2016)**

# **AREA RISK PROTECTION INSURANCE POPCORN INSURANCE STANDARDS HANDBOOK**

2017 and Succeeding Crop Years

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

<b>TITLE: Area Risk Protection Insurance Popcorn Program Insurance Standards Handbook</b>	<b>NUMBER: 20290</b>
<b>EFFECTIVE DATE: 2017 and Succeeding Crop Years</b>	<b>ISSUE DATE: October 17, 2016</b>
<b>SUBJECT:</b>  <b>Provides the procedures and instructions for administering the Area Risk Protection Insurance Popcorn Program Insurance Underwriting Standards</b>	<b>OPI: Product Administration and Standards Division</b> <b>APPROVED:</b>  <i>/s/ Richard H. Flournoy</i>  <b>Deputy Administrator for Product Management</b>

**Reason for Issuance**

This handbook provides the official FCIC-approved 2017 and succeeding crop years underwriting and administration standards for the Area Risk Protection Insurance (ARPI) Popcorn Program. All approved insurance providers electing to offer the ARPI Popcorn Program must utilize these standards.

# ARPI POPCORN CROP INSURANCE STANDARDS HANDBOOK

## CONTROL CHART

Control Chart For: ARPI Popcorn Crop Insurance Standards Handbook							
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**AREA RISK PROTECTION INSURANCE  
POPCORN PROGRAM  
INSURANCE STANDARDS HANDBOOK**

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## Part 1 General Information and Responsibilities

### 1. General Information

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#### A. Purpose

The Area Risk Protection Insurance (ARPI) Popcorn Program Insurance Standards Handbook provides instructions for establishing coverage in accordance with the ARPI Policy. This handbook provides supplemental instructions as needed to administer the ARPI Popcorn Program. If there is a conflict between this Insurance Standards Handbook and any other issuances, this Handbook will control.

#### B. Source of Authority

The ARPI Popcorn Program is a product based on approval by the FCIC Board of Directors of a submitted development to extend and enhance the coverage for producers of popcorn. This handbook provides the FCIC-approved procedures for administering the program.

#### C. Duration

The ARPI Popcorn Program was available beginning with the 2015 crop year and is authorized until terminated or converted to a permanent program.

#### D. AIP Option to Offer

Since ARPI Popcorn was developed under the 508(h) authority of the Act, AIPs are not required to offer the ARPI Popcorn Program to potential insureds. Accordingly, each AIP must determine whether it will offer ARPI Popcorn. AIPs that elect to offer ARPI Popcorn must offer it to all eligible insureds where the program is offered, and must administer the program according to the procedures in this handbook.

#### E. Counties Where ARPI Popcorn is offered

The ARPI Popcorn Program is available to producers when a projected price and expected county yield for popcorn are included in the actuarial documents for the county.

#### F. Applying for ARPI Popcorn Coverage

Use the standard application or policy change form to add ARPI Popcorn coverage as new policy or to transfer the coverage from another AIP. Any existing coverage under the Popcorn Crop Provisions (99-043) or the Popcorn Revenue Crop Provisions (11-043) must be cancelled.

## **1. General Information (Continued)**

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### **G. AIPs and Agents**

For the purposes of ARPI Popcorn, AIPs may authorize contracted agents to perform all functions and actions authorized by the Crop Insurance Handbook as supplemented by the instructions in this handbook.

## **2 Responsibilities**

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### **A. AIP's Responsibilities**

AIPs electing to offer the ARPI Popcorn Program must:

- Offer it to all eligible producers in the approved area
- Provide each insured a copy of the insurance documents

### **B. Insured's Responsibilities**

To be eligible for the ARPI Popcorn Program, insureds must:

- Elect ARPI Popcorn on the application or contract change form.
- Comply with all terms and conditions of the Crop Provisions.

**3-20 (Reserved)**

## PART 2 Eligibility

### 21 ARPI Popcorn Program

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#### A. Applicability

All acreage that meets the requirements for insurability stated in the ARPI Popcorn Crop Provisions is eligible for coverage.

#### B. Eligibility Requirements

- (1) To be eligible for the ARPI Popcorn Program, all of the following must be met.
  - The insured must have the ARPI Popcorn CP under the ARPI BP in force; and
  - The insured must comply with all terms and conditions of the respective CP including the requirement that a fully executed processor contract must be submitted on or before the acreage reporting date.
- (2) In accordance with the Catastrophic Risk Protection Endorsement,
  - when either Area Revenue Protection or Area Revenue Protection with Harvest Price Exclusion is selected, only additional levels of coverage are available.
  - When Area Yield Protection is selected, both additional and CAT coverage levels are available.

#### C. Insurable Types

No types are specified for popcorn (type code 997).

#### D. Insurable Practices

Insurable practices are specified on the actuarial documents.

#### E. Policy Protection

The policy protection for popcorn is calculated as stated in the ARPI Basic Provisions.



## **21 ARPI Popcorn Program (Continued)**

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### **F. Coverage Levels**

Coverage will be available in 5 percentage point increments from 70 percent to 90 percent as specified in the actuarial documents for the county.

### **G. Prices**

The projected price and harvest price for this policy will be included under the Prices tab of the AIB.

### **H. Insurance Dates**

Popcorn must be selected by the insured on or before the sales closing date for the ARPI Popcorn CP for the first year it is to be effective. Thereafter, it renews automatically unless cancelled by the insured or by the provider or the policy terminates. All dates are included under the Dates tab of the AIB.

### **I. Premium Rates**

Detailed premium calculations may be found in RMA's Cost Estimator at <http://ewebapp.rma.usda.gov/apps/costestimator/Estimates/DetailedEstimate.aspx>.

### **J. Subsidy Rate**

The subsidy rate applicable to the ARPI Popcorn Program is shown under the Subsidy Factors tab in the AIB.

**22-30 (Reserved)**

## **Part 3 Applicability of Handbooks**

### **31 General Information**

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No handbooks or other issuances are affected by the ARPI Popcorn Program.

**32-40 (Reserved)**

## Part 4 Guarantee, Premium and Indemnity Calculations

### 41 Example of Guarantee Calculation

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Assume the expected county yield for popcorn published in the actuarial documents is 4,606.5 lbs. per acre. This is based on an expected county yield for corn grain of 155.0 bushels per acre, a conversion factor to convert the corn yield to a popcorn equivalent yield equal to 0.5307, and a constant of 56 pounds (the standard weight for a bushel of corn). Multiplying the expected county yield for corn grain by the conversion factor and by 56 pounds per bushel ( $155.0 \times 0.5307 \times 56$  lbs.) equals the expected county yield for popcorn. The projected price for popcorn is \$0.2000 per lb. The producer chooses Area Yield Protection and a protection factor of 1.00

The insured chooses the 90 percent coverage level and reports 10 acres in the county. Share is 100 percent.

The expected county yield for popcorn is 4,606.5000 lbs. per acre.

The expected county revenue (actuarial documents) is  $4,606.5000 \times \$0.2000 = \$921.30$  per acre

The dollar amount of insurance per acre is  $\$921.30 \times 1.00 = \$921.20$

The policy protection for Popcorn is  $\$921.20 \times 10 \text{ acres} \times 1.000 \text{ share} = \$9,212$ .

### 42 Example of Premium Calculation

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Assume the premium rate for the 90 percent coverage level is 0.054. The premium is calculated as follows:

The policy protection = \$9,212.

Premium rate = 0.054.

Then,  $\$9,212 \times 0.054 = \$497$  premium for the 10 acres.

The subsidy rate for 90 percent coverage is 44%. Hence, the amount of subsidy is

$\$497 \times 0.44 = \$219$ .

The producer premium is  $\$497 - \$219 = \$278$ .

## 43 Example of Indemnity Calculation

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Assume the final county yield for corn is 120.0 bushels per acre. The final county yield for popcorn thus will be published in the actuarial documents as  $120.0 \times 0.5307 \times 56 \text{ lbs.} = 3,566.3000 \text{ lbs.}$  per acre. The indemnity will be determined as follows.

The expected county yield is 4,606.5000 lbs.

The final county yield is 3,566.3000 lbs.

The trigger yield is 4,145.9000 lbs. ( $4,606.5000 \text{ lbs.} \times 0.90$ )

The payment factor for popcorn is then determined by:

- (a) Subtracting the final county yield from the trigger yield  
 $4,145.9000 \text{ lbs.} - 3,566.3000 \text{ lbs.} = 579.6000 \text{ lbs.}$
- (b) Multiplying the expected county yield by the loss limit factor (defined in the ARPI Basic Provisions as 0.18)  
 $4,606.5000 \text{ lbs.} \times 0.18 = 829.1700 \text{ lbs.}$
- (c) Subtracting the result of the step (b) from the trigger yield  
 $4,145.9000 \text{ lbs.} - 829.1700 \text{ lbs.} = 3,316.7300 \text{ lbs.}$
- (d) Dividing the result of step (a) by the result of step (c) to obtain the payment factor  
 $579.6000 \text{ lbs.} \div 3,316.7300 \text{ lbs.} = 0.175$

The result of step (d) is published in the actuarial documents. There is no need to derive this value.

The final policy protection is \$9,212.

The indemnity is  $\$9,212 \times 0.175 = \$1,612$ .

**Acronyms**

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The following table provides approved acronyms used in this handbook.

<b>Approved Acronyms</b>	<b>Term</b>
AIB	Actuarial Information Browser
AIP	Approved Insurance Provider
BP	Basic Provisions
CIH	Crop Insurance Handbook
CP	Crop Provisions
SCD	Sales Closing Date

**Definitions**

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Terms used herein are defined in the Basic Provisions, the Crop Provisions, or other issuances of FCIC.