



United States
Department of
Agriculture

May 30, 2007

Risk
Management
Agency

INFORMATIONAL MEMORANDUM: PM-07-023

Beacon Facility-
Mail Stop 0801
P.O. Box 419205
Kansas City, MO
64141-6205

TO: All Approved Insurance Providers
All Risk Management Agency Field Offices
All Other Interested Parties

FROM: Tim B. Witt */s/Tim B. Witt*
Deputy Administrator

SUBJECT: 2008 Crop Year Group Risk Income Protection Subsidy Changes

BACKGROUND:

Section 508(e) of the Federal Crop Insurance Act (Act), as amended by the Agricultural Risk Protection Act of 2000, sets subsidy factors, by coverage level, for crop insurance products based on an individual yield (generally APH-based products) or for a 'comparable' coverage level for area-based products, such as the Group Risk Plan (GRP) and Group Risk Income Protection (GRIP). The determination of a comparable level of coverage is left with Federal Crop Insurance Corporation (FCIC).

In 2000, FCIC determined comparable levels of coverage between individual and area plans of insurance based on an analysis of the average premium per acre. The premium subsidy factors were set in order to equalize, to the extent possible, the amount of subsidy per acre between the individual and area plans of insurance. The Risk Management Agency has conducted a review of the subsidy schedules extended to GRP and GRIP and determined revisions to the GRIP subsidy schedule is appropriate and in accordance with the Act.

A review of the subsidy structure for GRP and GRIP was conducted using the same methodology as in 2000, but based upon the 2006 book of business. The results of the analysis supported the current premium subsidy factors for GRP, but indicated that subsidy factors for GRIP should be lower. The average premium per acre for GRIP is generally greater than for GRP – especially since the Harvest Revenue Option was added to GRIP in 2004. A lower subsidy factor helps equalize the amount of subsidy per acre between GRIP and other plans of insurance consistent with the Act.



The Risk Management Agency Administers
And Oversees All Programs Authorized Under
The Federal Crop Insurance Corporation

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ACTION:

In consultation with the FCIC Board, the subsidy factors for GRIP effective for the 2008 crop year are presented in the following table. The subsidy factors for GRP will remain unchanged.

| Coverage Level | 70% | 75% | 80% | 85% | 90% |
|----------------------------|------|------|------|------|------|
| New GRIP Subsidy Factor | 0.64 | 0.59 | 0.59 | 0.55 | 0.48 |
| Current GRP Subsidy Factor | 0.64 | 0.64 | 0.59 | 0.59 | 0.55 |

DISPOSAL DATE:

This Informational Memorandum is for the purpose of transmitting information and the expiration date is December 31, 2007.