UNITED STATES DEPARTMENT OF AGRICULTURE
FEDERAL CROP INSURANCE CORPORATION
GROUP RISK INCOME PROTECTION – HARVEST REVENUE OPTION ENDORSMENT

Terms and Conditions

1. In return for the payment of any additional premium as shown in the actuarial documents for GRIP-HRO coverage, and subject to all the provisions of this endorsement, we agree to provide the insurance stated in this endorsement. In the event of a conflict between the GRIP Basic Provisions, GRIP Crop Provisions, and this endorsement, this endorsement will control.

2. To be eligible for coverage under the GRIP-HRO endorsement, you must elect this endorsement on or before the sales closing date for the initial crop year for which you wish to insure under this endorsement. This endorsement will continue in effect until canceled by either you or us for any succeeding crop year by written notice to the other party on or before the cancellation date.

3. This GRIP-HRO Endorsement is a supplemental endorsement to the GRIP Basic Provisions.

4. You must purchase a GRIP Policy to be eligible to purchase this GRIP-HRO endorsement.

5. The coverage offered under this GRIP-HRO endorsement is in addition to the coverage offered under your GRIP policy.

6. If at any time your GRIP policy is canceled or terminated, this GRIP-HRO endorsement is automatically terminated as of the same date and no indemnity will be due.

7. For and in consideration of any additional premium you have paid for this GRIP-HRO endorsement, the company identified in your schedule of insurance for the GRIP policy hereby agrees to pay any indemnity due under the GRIP-HRO calculated in accordance with this GRIP-HRO endorsement.

8. The units under this endorsement shall be the same as the units under your GRIP policy.

9. The premium for GRIP-HRO coverage will be calculated from the GRIP-HRO rate tables found in the GRIP actuarial documents.

10. The following modify the GRIP Basic Provisions, and shall apply for all purposes under this endorsement:

(a) In addition to the definitions provided in the GRIP Policy, define **Policy Protection Adjustment Factor** as the greater of "1.00," or the ratio of the harvest price divided by the expected price.

(b) In lieu of the definition of **trigger revenue** in the GRIP Basic Provisions, the GRIP-HRO trigger revenue shall be the result of multiplying the expected county yield by the greater of the expected price or the harvest price and by the coverage level percentage chosen by you. If county revenue, published by FCIC for the insured crop, practice, and type for the insured crop year, falls below this GRIP-HRO trigger revenue, an indemnity is due.

(c) In Section 4, Policy Protection, add subsection (d) as follows: If you purchase a GRIP-HRO endorsement the policy protection is multiplied by the Policy Protection Adjustment Factor.

(d) In lieu of the Section 5(c), Coverage Levels, the following applies: The GRIP-HRO trigger revenue shall be the result of multiplying the expected county yield by the greater of the expected price or the harvest price and by the coverage level percentage chosen by you. If the county revenue, published by FCIC for the insured crop, practice, and type for the insured crop year, falls below this GRIP-HRO trigger revenue, an indemnity is due.

(e) In lieu of Section 7(d), Administrative Fees and Annual Premium, the following applies: Your GRIP-HRO premium is determined by multiplying your policy protection by the GRIP-HRO premium rate per hundred dollars of protection for your coverage level contained in the actuarial documents, by 0.01, and subtracting the appropriate subsidy.

11. Worked Examples

Producer A farms in a county with expected county revenue of $271 per acre. The expected county yield is 113.0 bushels per acre and the expected price per bushel is $2.40. He/she buys 85% coverage and selects $244 protection per acre; this is 60% of the maximum of $407 that is allowed. Producer A has a 100% share and plants 200 acres of the crop. His/her policy protection is $48,800 (200 * $244).

Premium

The premium rate for GRIP is $3.36 per hundred dollars of coverage and the premium rate for GRIP-HRO is $4.20 per hundred dollars of coverage. Based on the selected coverage level of 85%, Producer A receives a premium subsidy of 59% of the total premium. The total premium for GRIP-HRO is $2,050 ($244 * 4.2 * 200 * 0.01). The producer paid premium is $841 (1-0.59 * $2,050) rounded to whole dollars.

Indemnity Case 1.

Harvest price is $3.00 per bushel, final county yield is 100.0 bushels per acre, and county revenue is $300 per acre.

GRIP-HRO Policy Protection Adjustment Factor = 1.25 (3/2.4)
GRIP-HRO Policy Protection = $61,000 (244 * 200 * 1.25)
GRIP-HRO Trigger Revenue = $288 ($3.00 *113.0 * 0.85)
GRIP Trigger Revenue = $231 ($2.40 * 113.0 * 0.85)
No GRIP-HRO indemnity is paid ($300 > $288).
No GRIP indemnity is paid ($300 > $231).

Indemnity Case 2.

Harvest price is $1.50 per bushel, final county yield is 100.0 bushels per acre, and county revenue is $150 per acre.

GRIP-HRO Policy Protection Adjustment Factor = 1.00 (1.50/2.40) **Note**: 1.00 is greater than the ratio of the harvest price divided by the expected price.
GRIP-HRO Policy Protection = $48,800 ($244 * 200 * 1.00)
GRIP-HRO Trigger Revenue = $231 ($2.40 *113.0 * 0.85).
This is greater than the county revenue, so an indemnity payment will be paid.
GRIP-HRO Payment Calculation Factor = 0.351 [(231 – 150)/231]
GRIP-HRO Indemnity = $17,129 (0.351 * $48,800)
Note that GRIP policies that did not include the HRO endorsement also would pay $17,129.

Indemnity Case 3.

Harvest price is $4.00 per bushel, final county yield is 60.0 bushels per acre, and county revenue is $240 per acre.

GRIP-HRO Policy Protection Adjustment Factor = 1.67 (4/2.4)
GRIP-HRO Policy Protection = $81,496 (244 * 200 * 1.67)
GRIP-HRO Trigger Revenue = $384 ($4.00 *113.0 * 0.85).
This is greater than the county revenue, so an indemnity will be paid.
GRIP-HRO Payment Calculation Factor = 0.375 [(384 – 240)/384]
GRIP-HRO Indemnity = $30,561 (0.375 * $81,496)
GRIP Trigger Revenue = $231.
No GRIP indemnity would be paid because the GRIP Trigger Revenue is less than county revenue.