



Program
Aid 2005

Rainfall Index Pilot

February 2009

The Risk Management Agency is now offering pilot Basic Provisions for the Rainfall Index. These Basic Provisions replace the Group Risk Plan Basic Provisions for Rainfall Index insurance programs such as [Pasture](#), [Rangeland](#), [Forage](#) and [Apiculture](#).

The Rainfall Index is based on National Oceanic and Atmospheric Administration (NOAA) Climate Prediction Center data. The database is the “Improved United States Precipitation Quality Control System and Analysis” and contains data from 1948 to the present. Multiple data sets, including weather, satellite, and radar data, are interpolated to approximately 12 by 12 mile grids that smooth the data and address the problem of extreme variability of individual data sets and basis risk which results from being far from a precipitation data input source. Losses are calculated based on the deviation from normal precipitation for the grid and index interval(s). This insurance coverage is for a single peril—lack of rain. Coverage is based on the experience of the entire grid, and **NOT** individual farms or ranches or specific weather stations in the general area.

The precipitation data used for the Rainfall Index pilot program is data developed and maintained by NOAA, Climate Prediction Center, and is used by many government agencies and private entities. This data does not reflect the precipitation amounts measured at a specific weather station(s) within a given grid. The data is validated and reflects a smoothed result of nearby weather, radar, and satellite estimates

to return a total estimate for the grid. The data set is the "Unified Rain Gauge Dataset" and goes through a rigorous set of quality control checks by Climate Prediction Center, including checks for extreme values, comparisons of observed amounts among nearby weather data sources, satellite data, and comparisons to NEXRAD data. **The outcome is a composite value for the entire grid that cannot be traced to a single point or data set.**

There are two different crop policies, [Pasture](#), [Rangeland](#), [Forage](#) and [Apiculture](#), that use the Rainfall Index Basic Provisions. The Rainfall Index Basic Provisions and the specific crop provisions, along with other insurance documents, such as actuarial documents, together make up a complete insurance program. The program is available in six regions across the country to test the Rainfall Index in various climates, soils, and weather conditions: the warm and humid Southeast, the cool and humid Northeast, the Northern Great Plains, the Southern Great Plains, the semi-arid Southwest, and the intermountain region of the Northwest.

This insurance plan is designed as a risk management tool to insure against a decline in the Rainfall Index for a grid. It is possible for policyholders to have low production or low precipitation on their insured acreage and not receive an indemnity under the Rainfall Index plan of insurance. **The only insurable cause of loss for an Rainfall Index policy is having a final grid index less than the trigger grid index.** Because the program is designed for producers whose production and precipitation

tend to follow the average precipitation patterns for the grid and not individual crop production, it is important that you review the historical indices, additional tools, and information provided on the RMA Web site to determine if the program is suitable for you.

You can find more information about this pilot program on the Risk Management Agency Web site at: www.rma.usda.gov

Contact Us

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