CROP INSURANCE DIVISION

Price Flex ™

Greater flexibility in marketing crops by providing added protection from fluctuating prices

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Price Flex™

Overview

Price Flex is an insurance product that allows greater flexibility in marketing crops by providing added protection from fluctuating prices. By providing more price discovery period options to existing MPCI coverage, **Price Flex** enables producers to potentially receive additional policy benefits if the average of the price period they select exceeds the RMA projected and harvest prices.

Eligibility

Price Flex will be available for the 2014 Crop Year for:

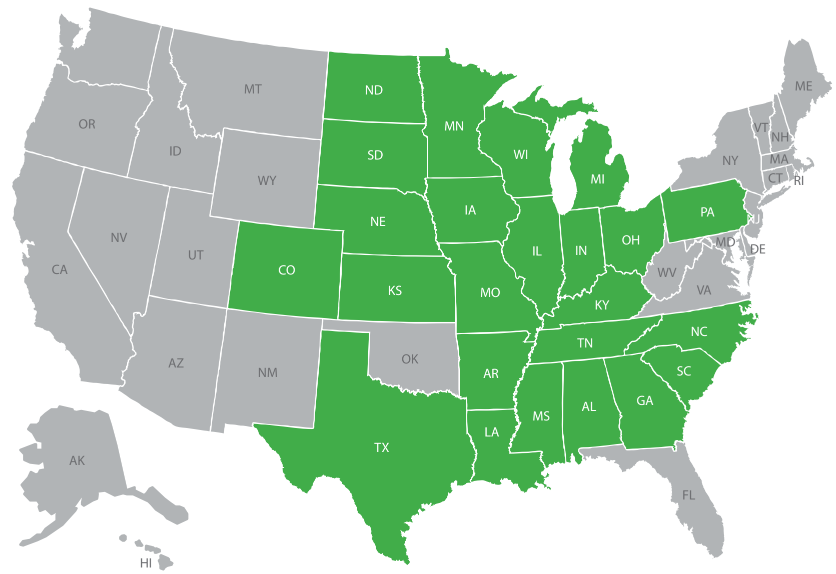
- Corn
- Cotton
- Grain Sorghum
- Soybeans
- Spring Wheat*

** does not include Durum, Spelt, Emmer or Khorasan wheat varieties*

Price Flex generally allows the producer to choose price discovery periods before and after the periods defined by the Commodity Exchange Price Provision (CEPP) for the relevant crop. Additional price discovery windows are available each year. The producer may choose one, all, or any number in between.

Price Flex imposes a limit on the difference in price between the highest designated additional discovery price and the CEPP price. Producers may choose from several price cap options that are less than these policy limits. (*For example, corn producers may also select $.25, $.50, $.75 or $1.00*).

- $1.00/bu for corn/grain sorghum
- $0.20/lb for cotton
- $2.00/bu for soybeans
- $1.50/bu for wheat



Price Flex is available in most counties of these states where there is an existing Revenue Protection offer for the eligible crop.

The producer must first pick either the Revenue Protection (RP) or the Area Revenue Protection (ARP) insurance plan for the insured crop before their first alternative price discovery period is chosen through **Price Flex**. While the producer will not be bound to this selection for their MPCI purchase later in the spring, **Price Flex** will determine benefits based on this initial choice. Additionally:

- **Price Flex** coverage applies at the enterprise unit level.
- Growers must have a separate policy for each county and crop.
- Growers must declare their intended acres for each crop at the time of sign-up.
- Growers must insure all of their acres of a crop in a county with a minimum of at least 25 acres to insure under **Price Flex**.

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Policy Provision Highlights

- Producer must select at least one Alternative Price Discovery Period when Policy is purchased and may select additional Periods until the RMA sales closing date of the applicable crop in their county.
- Producer may choose any available insurance plan, coverage level or other aspect of the MPCI insurance program that is offered to them. Failure to have an MPCI insurance policy in effect for the crop year will result in no indemnity under the **Price Flex** program.
- **Price Flex** must be purchased annually and does not renew automatically.
- No purchase will be allowed when previous Policy premiums remain outstanding.
- Only planted acreage that is reported for the MPCI insurance plan may be included in the **Price Flex** program. Producer may be required to provide a separate acreage report from the report filed for the MPCI policy.
- Producer must provide the actual production and insured acres for the current crop year by type, practice and unit no later than 30 days after the earlier of the harvest completion date or the end of the insurance period.

Note: *Failure to purchase any MPCI insurance coverage on or before the sales closing date established by RMA will result in the cancellation of this Policy for the crop year. The producer will owe the premium for the Policy even if they do not purchase MPCI coverage.*

It is possible that the projected and harvest prices established under CEPP will be greater than any of the price options chosen by the producer under **Price Flex.** In this situation, the Price Flex premium will still be due, but no Price Flex indemnity will be paid. In other words, there is no Price Flex liability under these circumstances.

It is also possible that, although the Price Flex price could be higher than the projected or harvest prices established under the CEPP, the value of the production-to-count might exceed the Price Flex trigger revenue. In that case, no indemnity would be owed.

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Example

RMA announces the harvest price is $5.25 per bushel. The indemnity payable for the RP insurance plan is $123,000.

Dec 1 - Dec 31	$5.25/bu
Feb 1 - Feb 28/29	$5.40/bu
Apr 1 - Apr 30	$5.50/bu

This is the price determination made by CEPP to which the insured is entitled with no additional premium.

Of these three prices, this one is the highest.

1. Let's assume that these two prices are **Alternative Price Discovery Periods** chosen by the producer under **Price Flex.**

2. Now let's assume that that our producer selected a Price Flex price cap of $.25. Since the $5.50 highest projected harvest price is *greater* than the $5.40 CEPP projected price but *less* than the maximum price movement limit (the CEPP price + the Price Flex cap), *an indemnity under Price Flex may be payable.*

Calculating the Price Flex indemnity

3. Let's assume our producer's production-to-count is 100,000 bushels, and that he has 150 APH at .80 coverage level.	150 x .80 120.0 bushels
4. Now multiply bushels by the $5.50 *highest* projected price under Price Flex.	120.0 x $5.50 $660
5. For this example, our producer has 1,000 acres of corn to insure in the county.	$660 x 1,000 $660,000
6. Now, multiply the original production-to-count by the approved RMA harvest price.	100,000 x $5.25 $525,000
7. Subtract from highest projected price calculation.	$660,000 - $525,000 $135,000
8. Subtract the indemnity calculated from the MPCI/RP plan.	$135,000 -$123,000 $12,000
9. Multiply by the Liability Adjustment factor*.	$12,000 x 0.60

The Price Flex indemnity for this example is $7,200

**The Liability Adjustment factor* is chosen by the insured from a given range, impacting premium and loss payments.*

Price Flex on-line

Note: *All premium estimates are provided through a secure interactive web portal. Agents can help a grower get a quote, customize coverage and even complete an application through this portal.*

Crop Insurance Division

Corporate Headquarters
Great American Tower
301 E. Fourth Street
Cincinnati, OH 45202
GreatAmericanInsuranceGroup.com

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Great American Insurance Company is part of the Great American Insurance Group. Great American Insurance Company has been rated A (Excellent) by A.M. Best for over 100 years.*

*As of February 22, 2013

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