



RPowerD[™] - Liability Adjustment Factor

August 28, 2018

Adjusting the Liability Factor of the RPowerD™ policy to match the percent of guaranteed bushels needing coverage will reduce the RPowerD policy cost, but, will not reduce the payout triggers.

By accurately selecting the Liability Adjustment Factor when quoting a RPowerD policy producers who have forward marketed, placed in a marketing pool or hedged part of their 2019 crop can save money on premium by eliminating the doubling up of revenue protection on bushels that have already been forward contracted, and thus already have a price floor.

A Liability Adjustment Factor Calculator is available by clicking the Excel icon link in www.agentevanatge.com RPowerD Estimator. A video on how to use the calculator is located at this link.



Using the Liability Adjustment Factor calculator to create the example below, we see a 170 bu/ac approved yield with RP at 85%, RPowerD at 85%, and the policy trigger is 145 bu/ac.

In the example to the below, the producer has sold 50 bushels per acre which is 34.5% of his Guaranteed bushels (29% of his expected crop). This means he can use a 70% Liability Factor when buying his RPowerD policy.

Liability	Adjustment Factor Calculator						
State		County	County		Crop		
Michigan ▼		▼ Lenawee	Lenawee		Corn	*	
Weighted Avg Approved Yield 🕡		MPCI Cove	MPCI Coverage Level		Estimate Coverage level @		
170		85%		•	85%	*	
170	Approved Yield		170	Approved Yield			
× 85%	MPCI Coverage Level	х	85%	Estimate Coverage	Level		
145	MPCI Policy Trigger		145	Estimate Policy Cov	verage		
- 50.0	Crop Forward Contract	Crop Forward Contracted (bu/ac)					
= 95	Non-Forward Marketed	Non-Forward Marketed					
Non-Forward Marketed Estimate Policy Coverage Liability Factor							
95	/ 145	=	70%		Use in Estimator	Cancel	
Producer	with 29% of expected crop forward m	narketed saved 30% on th	hier RPower[O policy when using the co	orrect Liability Factor		

When the RPowerD Coverage level matches the indicated RP coverage level, for every lost bushel (less than 170 bu/ac produced), the producer will be paid the higher of the: Projected Price, Harvest Price, or RPowerD price (up to the Max Price Movement selected). Ultimately, producers will get paid the forward contract price on contracted bushels that were guaranteed by the RP policy. If they have a bushel shortfall and manage the cancellation of the grain contract effectively, the RP policy's Harvest Price will cover any futures price differences between the sale price and the cancellation price, should the Harvest Price end up being higher than the Projected or RPowerD price.

When the RPowerD coverage level exceeds the RP coverage level and the harvest price is at or below RPowerD Price, the producer will be paid the RPowerD price on each bushel below the RPowerD bushels covered up to the policy's liability limit. If the Harvest Price is over the RPowerD price, the bushel trigger drops relationally to the amount, thereby effectively reducing the RPowerD bushel trigger the same way a RP-HPE policy works.

Learn, analyze and quote RPowerD at www.agentevantage.com

View previous RPowerD newsletters on the <u>NAU Country website</u>.





NAU Country Insurance Company Corporate office

Phone: 763.427.3770 Toll Free: 800.942.6557



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