WINTER 2020 NEWSLETTER

"For a Fresh Look at Insurance"

DAVID LARSON
Financial and Insurance Services, Inc.

Merry Christmas!

Using your MPCI as a Marketing Tool

The 2021 future prices for corn and soybeans are at profitable levels. This is good news for producers and a chance to take advantage of a good opportunity to sell. Most farmers do not want to sell production until they see the crop in the bin because of the risk of delivery. Your MPCI crop insurance revenue protection will allow you to forward price with limited risk.

An example: Corn APH of 200 bushels, 85% MPCI guarantees 170 bushels of guarantee. You sell the 170 bushels per acre at $4.15 Dec futures on a hedge to arrive contract. This guarantees you $705 per acre less basis but with storage could gain a roll to cover the basis. The Feb price of corn is $4.15 for your MPCI so you have covered your initial price on crop insurance. You produce 160 bushels of production per acre during the crop season. You are short 10 bushels on your contract. Your crop insurance will cover the 10 bushels on a bushel loss. If the price has fallen to $3.90 your $705 of coverage will give you protection at 181 bushels and your loss will be 21 bushels per acre at the $3.90 per bushel because you have revenue protection. Should the market go up to $4.50 per bushel you would have adequate revenue to buy the 10 bushels you were short on your contract.

Growing a normal crop is a win with 30 extra bushels to sell above your delivery. With the additional private products available such as RCIS has RPP, FMH has RAMP or ArmTech has BAND, you could guarantee more bushels and sell more bushels at profitable levels. Something to consider as sales closing nears.

I know this may be difficult to understand but it works. If you have interest in marketing crop at these price levels, do not be afraid to call us and make an appointment to have us help you understand. Marketing for a profit has been elusive these past years and this may be a golden opportunity to take advantage.

David Larson

SMART WAYS TO SAVE ON THE COST OF FARM INSURANCE

Your farm's or ranch's long-term success is ultimately about Profitability. While controlling expenses is one critical component of profitability, so is protecting your farm's or ranch's assets with the right insurance and risk management tools. How can you strike a balance between savings and security? Here are a few ways to help control cost and risk.

Minimize claims

The cost of an accident is like an iceberg. What is covered by insurance can be just the tip you see above the water line. What is below the surface – lost business, legal disputes, fines, stress often are not covered by insurance. But it all affects your bottom line.
Minimizing claims not only saves insurance costs: it can help save significant dollars for your farm or ranch overall. How can you minimize losses?
Report all losses within 24 hours. Studies show that the longer a claim goes unreported, the more it costs. Even if a loss looks like it may be below your deductible, report it in case it escalates in the future.

Reduce your number of claims

This can help lower your premiums. Some ideas:

1) Make safety and loss reduction an everyday part of your job.
2) Find ways to routinely communicate safety messages to everyone who comes onto your farm or ranch.
3) Review each accident or mishap and use it as a learning tool.
4) Use personal protective equipment (safety glasses, face shields, hand protection, hearing protection.
5) Screen your drivers.
6) Require seat belts be worn.
7) Make sure everyone on your farm or ranch understands that they are responsible for their own safety and the safety of others every day.
8) Make sure all safety equipment is in place.

Andy Rostberg

2020: The year that just will not end...

2020 will go down in the history books for many reasons. It will be always be remembered as the year of the Corona Virus and all the havoc that came with it. The multiple shutdowns, quarantine periods for those that were exposed or had COVID-19, and economic recession that followed the shutdowns. For those with children in school like myself, becoming a "homeschool" teacher was not enjoyable. I now have a new appreciation for educators and how hard their job really is.

As for the farming side of 2020, it was a pretty good year for most. In most areas, better than expected crops, higher pricing into fall, a beautiful spring and fall made it enjoyable to farm. There were areas that had excessive rain south of Highway 212 and a wide band of hail from the July 11th storm that devastated some areas. Claims were higher in these areas, but in general, claims were way down from last year.

As we move forward into winter, we are uncertain how our business will be affected by the governor's orders. We are open currently with a partial staff with the rest working from home. We will continue with the same great service you have come to expect. We are open for appointments.

As we move forward to February, we plan to have our crop insurance seminar on **February 18th at the Event Center in Hutchinson**. If for some reason we are not able to have the meeting due to the governor's orders, we will have a virtual meeting online. This is not the most ideal situation, but we want to make sure everyone is up to date with their crop insurance needs. We will send out instructions on how to log on to the meeting if it comes to this. Our keynote speaker is Darin Newsome, President of Darin Newsome Analysis, Inc. where he will speak on the grain markets.
Claims are winding down. Last year the last of the claims went out at the end of January, this year should be complete by the beginning of January.

I have attached a flyer in the newsletter that explains a new coverage option for your crop insurance that is similar to SCO, which allows you to cover up to 86% on an area-based policy. ECO allows you to increase this to 90% or 95%. Though this is area based, it can work well with specialty crops that there is not a lot of acres in a county.

Wishing everyone a very happy holiday season.

Matt Melberg

Enhanced Coverage Option

General Information

The Enhanced Coverage Option (ECO) is a new crop insurance option that provides additional area-based coverage for a portion of your underlying crop insurance policy deductible. It must be purchased as an endorsement to the Yield Protection, Revenue Protection, Revenue Protection with the Harvest Price Exclusion, Actual Production History or Yield Based Dollar Amount of Insurance policy. ECO offers producers a choice of 90 or 95 percent trigger levels. Trigger means the percentage of expected yield or revenue at which a loss becomes payable.

Availability

ECO will be available for 31 crops (shown below), starting with the 2021 crop year, in most counties where these crops are grown. Additional crops will be added in subsequent years based on producer interest and data availability.

How ECO Works

ECO follows the coverage of your underlying policy. If you choose Yield Protection or a yield-based policy, then ECO covers yield loss. If you choose a Revenue Protection policy, then ECO covers revenue losses.
The amount of ECO coverage depends on the liability of your underlying policy. However, ECO differs from the underlying policy in how a loss payment is triggered. The underlying policy pays a loss on an individual basis and an indemnity is triggered when you have an individual loss in yield or revenue. ECO pays a loss on an area basis, and an indemnity is triggered when there is a decrease in the county level yield or revenue. ECO has two trigger levels: 90 and 95 percent. ECO provides a band of coverage between the elected trigger level and 86 percent. If the county yield or revenue is reduced beyond the trigger level, you will receive an ECO indemnity. If the reduction in yield or revenue exceeds the 86 percent threshold, you will receive an indemnity equal to the full insured liability.

Coverage Example

Suppose your corn crop has an expected value of $765.00 per acre (170 bushels at $4.50 per bushel). Assume you purchase a Revenue Protection policy with a 75 percent coverage level – this is the 'underlying policy.' The underlying policy covers 75 percent (or $573.75) of the expected crop value and leaves 25 percent (or $191.25) uncovered as a deductible.
At this point, you have the option to buy ECO coverage. Since the underlying policy is Revenue Protection, ECO will also provide revenue protection, except that payments will be determined at a county level. The ECO revenue coverage is described in the following table. ECO yield coverage performs in the same manner.

Step	ECO Coverage Calculation for 95 percent Area Trigger Level	
A	ECO Endorsement begins to pay when county revenue falls below this percent of its expected level	95 percent
B	ECO Endorsement pays out its full amount when county revenue falls to 86 percent of its expected level	86 percent
C	Percent of expected crop value covered by ECO (A – B, or 95- 86 percent)	9 percent
D	Amount of ECO Protection (C x Expected Crop Value, or 9 percent x $765)	$68.85

The ECO Endorsement begins to pay when county average yield or revenue falls below 95 percent (or 90 percent, if that is the trigger level you elect) of its expected level. The full amount of the ECO coverage is paid out when the county average revenue falls to 86 percent, as shown on step B in the table.

ECO payments are determined only by county average revenue or yield and are not affected if you receive a payment from your underlying policy. Therefore, it is possible for you to experience an individual loss but to not receive an ECO payment, or vice-versa. You may also receive a loss on both the underlying policy and ECO.

The dollar amount of ECO coverage is based on the percent of crop value covered. In this example, there are 9 percentage points of coverage – from 95 percent to 86 percent. Nine percent of the expected crop value ($765.00) is $68.85 (or x9 percent x $765.00). Thus, the ECO policy can cover up to $68.85 of the $191.25 deductible amount not covered by your underlying policy. You may cover a portion of the remaining amount of the deductible with other coverage such as the Supplemental Coverage Option (SCO).

Now consider an event where the actual county revenue falls to 89 percent of the expected value. This loss is 6 percentage points less than the trigger level elected (95 percent - 89 percent = 6 percent). This indicates a loss of 66.67 percent of the ECO coverage range (6 percent / 9 percent = 66.67 percent). This loss is then applied to the amount of ECO protection to determine an indemnity of $45.90 per acre (66.67 percent x $68.85 = $45.90).

Winter Safety

Well, winter has been mild so far, but I am sure it will get colder and we will get some white stuff too.

With that being said, here is some reminders to help you stay safe on the roads:

- Remember to keep a winter survival kit which should include a flashlight, first-aid kit, water & non-perishable snacks like trail mix or energy bats, jumper cables, ice scraper, emergency blanket and sand or something for traction.
- It is also a good idea to pack boots, an extra coat, a warm hat and gloves or mittens.
- Clean snow & ice from your vehicle including all windows, mirrors, hood, roof, trunk, and all lights before you leave your driveway or parking lot.
- Slow down and leave extra space between you and the car in front of you. Roads may be slippery due to ice or compact snow.
- Use caution when snowbanks get taller as your view of oncoming traffic may be limited.
- Remember to give snowplows and other emergency workers extra room.
- If you get stuck or break down and your car is out of harm's way, stay in your car and wait for help. Run your engine for about 10 minutes every hour, but make sure your tailpipe is clear of snow and other debris. Carbon monoxide poisoning can build up in your car quickly. It is a good idea to open a window slightly to keep fresh air coming in.

Winter driving can be challenging remember to leave a little earlier and take your time, so you stay safe.
Wear your seatbelt and give the road your full attention.
If you are going on a longer drive, it is also a good idea to let someone know your planned route and the approximate time you should arrive at your destination.

Candle Safety

Whether it is the cooler temps, the holiday season or just because we are inside more. Candles seem to get burned more this time of year. Here are some things to keep in mind to keep your family and house safe.

- Make sure your use sturdy candle holders that will not tip over
- Burn candles in an uncluttered area away from curtains and other flammable items
- Keep burning candles away from children and pets to prevent burning or getting tipped over
- Never burn candles when oxygen is used in your home
- Do not burn candles all the way down. Stop burning when the candle is down to about the last 2 inches.

We wish you all a Safe and Merry Christmas and Happy New Year!!

Craig Schmeling

What is an Added Price Option?

The additional price option is a supplemental product to your traditional multi-peril crop insurance policy. It allows you to increase the insured value on your corn, soybean, sugar beet and dry bean crops. Primarily it is used to add to your insured value per bushel, in case of a yield loss.

An APO policy can offer these advantages. First, you can select a price election within a range over your current federal crop insurance projected price and get paid when bushels fall short of your yield guarantee. You have the option of locking in a bushel per acre price election higher than the federal crop insurance projected price. Losses are paid on an optional or basic unit, depending on how units are structured under the federal coverage. Losses will be paid on an optional or basic unit basis even if you choose the enterprise unit option on your federal crop insurance policy. There is no limit on the number of optional or basic units on APO. APO allows you to get a yield loss indemnity payment even if harvest price is higher than projected price. Supplement federal crop insurance coverage to help cover input costs in the event of a yield loss.

The cost of an added price option plan depends greatly on the type and price election of coverages you specifically need. The good news is that we can provide a quote easily based off your multi-peril crop insurance. Added Price Option must be purchased along with your multi-peril crop insurance; therefore, it has a March 15 sales closing date.

APO loss calculation example

Subtract harvested bushels from guaranteed bushels by APO unit and multiply the result by the APO price election.

Unit guarantee:	**150 bushels**
Actual unit yield:	**116 bushels**
Unit bushel loss:	**150 – 116 = 34 bushels**
$3.90	Harvest price
x 34	Bushels
$133	Federal crop insurance indemnity
$0.60	APO bushel price election
x 34	Bushels
$20	APO indemnity
$133	Federal crop insurance indemnity
+ $20	APO indemnity
$153	**Indemnity per acre**

The example provided above is for informational purposes only. Please refer to your policy for coverage terms. Contact an RCIS crop insurance agent for additional information.

APO insured value per bushel price

Multiply federal crop insurance projected price by the factors below to calculate the maximum APO price.

2019 APO maximum % price election	Corresponding federal crop insurance coverage level
53.8%	65% coverage level
42.9%	70% coverage level
33.3%	75% coverage level
25.0%	80% coverage level
17.6%	85% coverage level

Any price election between 1% and the maximum indicated above is available for bushel price selection.

Matt Larson

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**Come talk with one of our specialists for all your insurance needs!

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