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**INSURANCE PREMIUM HIGHER IN 2004**

Premiums for most crop insurance products will be higher in 2004 compared to 2003. Some premiums will increase by over 50%.

We prepared tables comparing 2003 insurance premiums to 2004 insurance premiums. Insurance premiums were calculated for all counties in Illinois using a "typical" farm in each county. Averages across all Illinois counties are reported in the following tables. Some counties differ substantially from these averages. Hence, results presented in tables only represent generalizations. Individual county premiums can be obtained using the *2004 IFARM Premiums Calculator* available on *farmdoc* ([www.farmdoc.uiuc.edu](http://www.farmdoc.uiuc.edu)).

Premiums for revenue products (CRC, RA, and GRIP) require base price and volatility estimates. Base prices will not be known until the beginning of March. Estimates are used to calculate 2004 premium. Hence, premiums for revenue products shown in this article are estimates.

**Actual Production History (APH).** Table 1 shows 2003 and 2004 premiums for APH insurance. Corn product premiums in 2004 have a -4.0 percent decrease to a 10.6% increase over 2003 premium. In soybeans, changes from a 3.1% increase to a 14.1% increase. Changes are due to 1) adjustments in the rates used in calculating premium and 2) higher indemnity prices.

**Revenue Assurance with the Base Price Option (RA-BP).** Table 2 shows RA-BP premium. Premiums in 2004 for corn range from a 4.9 increase up to a 61.9% increase compared to 2003 premiums. For soybeans, increases range from 11.1% up to 57%. Larger increases are associated with higher coverage levels. Estimated 2004 premiums are higher because 1) rates used to calculate premium were adjusted up and 2) base prices in 2004 will be higher than base prices in 2004. Price volatility estimates also enter into premium calculations. The 2004 volatilities are not known. Premiums in 2004 are based on 2003 volatilities. It is possible that 2004 volatilities will differ from 2003 volatilities.

**Revenue Assurance with the Harvest Price Option (RA-HP).** Table 3 shows RA-HP premium. For corn, increases range from 6.8% up to 47.1%. For soybeans, increases range from 19.6% up to 67.3%. Higher increases are associated higher coverage levels. Estimated premiums for RA-HP are influenced by the same factors as RA-BP.

**Crop Revenue Coverage (CRC).** Table 4 shows CRC premiums. For corn, 2004 premiums are higher than the 2003 premiums for coverage levels above 70%. Changes range from a -.1% decrease up to a 20.5% increase. For soybeans, 2004 premium above the 50% coverage level are higher than 2003 premiums. Increases exceed 50% at the 85% coverage level.

In many cases CRC will have lower increases than RA-HP. In 2002 and 2003, many farmers shifted from CRC to RA-HP. CRC and RA-HP are very similar products and in recent years RA-HP has had lower premium than CRC. In 2004, CRC may have lower premium than RA-HP due to smaller increases in premiums. Hence, farmers should again compare premiums between the products.

**Group Risk Plan (GRP).** Table 5 show GRP premiums. Corn premiums at 85 and 90% coverage levels increase by 25.2 and 37.4%, respectively. Soybean premiums decrease in 2004 by about 5% over all coverage levels.

**Group Risk Income Plan without the Harvest Revenue Option (GRIP-NoHR).** Estimated GRIP-NoHR premiums for 2004 are projected down for corn. GRIP-NoHR premiums in 2004 are projected to increase for soybeans.

## Summary

Most insurance products will have higher insurance premium in 2004 compared to 2003. There are several strategies for dealing with these increases:

1. Farmers purchasing RA-HP or CRC should compare the premiums of the two products. These two products are similar and a purchase of the product with the lowest premium seems warranted.
2. Some farmers may consider lowering the coverage level. In 2004, base prices on revenue products will be higher than in 2003. Hence, a lower coverage level in 2004 may purchase a similar dollar revenue guarantee compared to a higher coverage level in 2003.

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**Table 1. Change in Actual Production History (APH) Premium, Average Over Illinois Counties, Basic Units, 2003 - 2004.**

Coverage Level	Corn			Soybean		
	2003 Premium	2004 Premium	Percent Change	2003 Premium	2004 Premium	Percent Change
	(\$/acre)	(\$/acre)	Percent	(\$/acre)	(\$/acre)	Percent
50%	1.48	1.42	-4.0	1.02	1.05	3.2
55%	1.93	2.12	9.7	1.32	1.36	3.1
60%	2.35	2.60	10.4	1.61	1.70	5.3
65%	3.31	3.66	10.6	2.27	2.50	10.0
70%	4.33	4.77	10.0	2.97	3.39	14.1
75%	6.45	6.88	6.6	4.43	5.07	14.5
80%	10.10	10.55	4.4	6.93	7.90	14.1
85%	16.12	16.73	3.8	11.06	12.57	13.7

Source: Original calculations using the *Premium Calculator* on *farmdoc* ([www.farmdoc.uiuc.edu](http://www.farmdoc.uiuc.edu)).

**Table 2. Change in Revenue Assurance (Base Price) Premium, Average Over Illinois Counties, Basic Units, 2003 - 2004.**

Coverage Level	Corn			Soybean		
	2003 Premium	2004 Premium <sup>1</sup>	Percent Change	2003 Premium	2004 Premium <sup>1</sup>	Percent Change
	(\$/acre)	(\$/acre)	Percent	(\$/acre)	(\$/acre)	Percent
60%	2.19	2.30	4.9	1.52	1.68	11.1
65%	3.48	3.77	8.5	2.40	2.81	16.8
70%	4.66	5.49	17.9	3.22	4.11	27.6
75%	6.64	8.45	27.2	4.60	6.34	37.8
80%	9.72	13.28	36.6	6.76	9.98	47.5
85%	12.99	21.03	61.9	10.06	15.79	57.0

Source: Original calculations using the *Premium Calculator* on *farmdoc* ([www.farmdoc.uiuc.edu](http://www.farmdoc.uiuc.edu)).

<sup>1</sup> Estimated, will not be known for certain until the beginning of March.

**Table 3. Change in Revenue Assurance (Harvest Price) Premium, Average Over Illinois Counties, Basic Units, 2003 - 2004.**

Coverage Level	Corn			Soybean		
	2003 Premium	2004 Premium <sup>1</sup>	Percent Change	2003 Premium	2004 Premium <sup>1</sup>	Percent Change
	(\$/acre)	(\$/acre)	Percent	(\$/acre)	(\$/acre)	Percent
60%	3.12	3.33	6.8	1.97	2.36	19.6
65%	4.83	5.34	10.5	3.08	3.86	25.4
70%	6.36	7.62	19.8	4.08	5.58	36.7
75%	8.94	11.54	29.0	5.78	8.51	47.4
80%	12.95	17.89	38.1	8.43	13.28	57.5
85%	19.02	27.98	47.1	12.46	20.85	67.3

Source: Original calculations using the *Premium Calculator* on *farmdoc* ([www.farmdoc.uiuc.edu](http://www.farmdoc.uiuc.edu)).

<sup>1</sup> Estimated, will not be known for certain until the beginning of March.

**Table 4. Change in Crop Revenue Coverage Premium, Average Over Illinois Counties, Basic Units, 2003 - 2004.**

Coverage Level	Corn			Soybean		
	2003 Premium	2004 Premium <sup>1</sup>	Percent Change	2003 Premium	2004 Premium <sup>1</sup>	Percent Change
	(\$/acre)	(\$/acre)	Percent	(\$/acre)	(\$/acre)	Percent
50%	1.89	1.98	5.1	1.89	1.33	-29.7
55%	3.20	3.19	-0.1	1.92	2.17	12.7
60%	3.97	3.97	0.1	2.39	2.73	14.5
65%	5.68	5.67	-0.1	3.41	4.04	18.6
70%	7.33	7.46	1.8	4.41	5.50	24.8
75%	10.27	10.87	5.8	6.19	8.25	33.3
80%	14.96	16.79	12.3	9.04	12.91	42.9
85%	22.22	26.78	20.5	13.47	20.62	53.1

Source: Original calculations using the *Premium Calculator* on *farmdoc* ([www.farmdoc.uiuc.edu](http://www.farmdoc.uiuc.edu)).

<sup>1</sup> Estimated, will not be known for certain until the beginning of March.

**Table 5. Change in Group Risk Plan Premium, Average Over Illinois Counties, Basic Units, 2003 - 2004.**

Coverage Level	Corn			Soybean		
	2003 Premium	2004 Premium	Percent Change	2003 Premium	2004 Premium	Percent Change
	(\$/acre)	(\$/acre)	Percent	(\$/acre)	(\$/acre)	Percent
70%	2.15	2.00	-6.8	0.88	0.84	-4.2
75%	2.88	2.68	-6.8	1.07	1.03	-4.0
80%	4.44	4.13	-7.0	1.54	1.48	-4.1
85%	4.44	5.57	25.2	2.38	2.28	-4.0
90%	5.97	8.21	37.4	4.12	3.95	-3.9

Source: Original calculations using the *Premium Calculator* on *farmdoc* ([www.farmdoc.uiuc.edu](http://www.farmdoc.uiuc.edu)).

**Table 6. Change in Group Risk Income Plan (No Harvest Revenue) Premium, Average Over Illinois Counties, Basic Units, 2003 - 2004.**

Coverage Level	Corn			Soybean		
	2003 Premium	2004 Premium <sup>1</sup>	Percent Change	2003 Premium	2004 Premium <sup>1</sup>	Percent Change
	(\$/acre)	(\$/acre)	Percent	(\$/acre)	(\$/acre)	Percent
70%	1.93	1.76	-8.9	0.77	0.97	25.6
75%	2.93	2.50	-14.9	0.98	1.19	21.0
80%	5.11	4.47	-12.4	1.74	2.07	18.7
85%	7.58	7.08	-6.7	2.91	3.42	17.5
90%	11.92	11.79	-1.1	5.25	6.36	21.0

Source: Original calculations using the *Premium Calculator* on *farmdoc* ([www.farmdoc.uiuc.edu](http://www.farmdoc.uiuc.edu)).

<sup>1</sup> Estimated, will not be known for certain until the beginning of March.