



 **NAU Country**
A QBE Insurance Company
www.naucountry.com



Margin Protection concepts

Prior to the Sales Closing Date (SCD), RMA releases in the actuarial documents for each county:

- Expected County Yield (ECY)
- Projected Price
- Expected Cost
- Expected Margin is calculated

After harvest, RMA releases in the actuarial documents for each county:

- Final County Yield (FY)
- Harvest Price
- Harvest Cost
- Harvest Margin is calculated

Boost with Margin Protection

MP offers insureds the following benefits:

- Area-based* coverage that uses the same expected and final yields as Area Risk Protection Insurance (ARPI), Supplemental Coverage Option (SCO), Enhanced Coverage Option (ECO), and Margin Coverage Option (MCO) policies.
- Offers coverage up to 95%, the highest subsidized level of coverage available.
- Offers a protection factor of up to 1.2, which means a loss in margin could be multiplied by 1.2 for payment.

**Margin Protection is based on Production Area, which many times is equivalent to the county. However, it is important to remember that they can differ.*

Our commitment to you

We take pride in being a customer-focused organization through our expertise, engagement, and insight. Our commitment to service has never wavered and with our parent company, QBE Insurance Group, we can provide the best financial stability.

For more information about the process described in this brochure, consult your NAU Country Agent or policy provisions today!

Important dates

- The SCD for corn, soybeans, and spring wheat is September 30.
- The SCD for rice is either January 31 or February 28, depending on the state and county.

NAU Country Insurance Company

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This brochure is only an overview of the described product. It does not include all features, exclusions, or limitations.

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Margin Protection

Protect yourself from an unexpected decrease in your operating margin.

 **NAU Country**
A QBE Insurance Company



Ask us about our
complementary
risk coverage
MPowerD®!

Margin Protection basics

Margin Protection (MP) is an area-based* insurance plan that provides coverage against an unexpected decrease in operating margin (revenue less input costs), caused by reduced county yields, reduced commodity prices, increased prices of certain inputs, or any combination of these perils. Because it's area-based, individual farm outcomes may differ from area-level results.

MP must be purchased with a Yield Protection or Revenue Protection policy (denoted as a base policy) on the same acreage (both must be purchased from the same Approved Insurance Provider (AIP)). If a base policy is purchased, the insured will receive a credit to their MP premium because indemnity payments from the base policy are used to offset indemnity payments from the MP policy.

Margin Protection details

Margin Protection provides coverage that is based on an Expected Margin for each applicable crop, type, and practice.

Expected Margin = Expected Revenue - Expected Costs, where:

- Expected Revenue (per acre) is the Expected County Yield multiplied by a projected commodity price; and
- Expected Cost (per acre) is the dollar amount determined by multiplying the quantity of each allowed input by the input's projected price.

Trigger Margin = Expected Margin - Deductible.
The deductible is 1.00 minus the coverage level multiplied by the Expected Revenue.

Margin Protection can be purchased with the Harvest Price Option (MP-HPO). Under MP-HPO, if the harvest price exceeds the projected price, the Expected Revenue used in setting trigger margins is reset based on the harvest price.

Expected Costs

When determining the margin, two types of inputs are considered: those subject to price changes and those not subject to price change (i.e. fixed from planting to harvest). Inputs not subject to price change are not specifically identified, but include: seed, machinery, operating costs (other than fuel), and similar expenses. Inputs subject to price change are identified in the Margin Protection provisions and include the following:

Crops	Allowed inputs subject to price change
Rice	Diesel, Urea, Diammonium Phosphate price (DAP), Potash, Interest
Corn	Diesel, Urea, DAP, Potash, Interest
Soybean	Diesel, DAP, Potash, Interest
Spring wheat	Diesel, Urea, Monoammonium, Phosphate, Potash, Interest

Availability

Margin Protection is available for corn, soybeans, rice, and spring wheat in select states and counties. Contact your NAU Country Agent, view the NAU Country Margin Protection web page, or consult the policy provisions for a listing of states.

Margin Protection example

Calculating an MP Trigger at 95% coverage level

Expected Margin

(Expected Yield x Projected Price) - Expected Cost
(180 bu./acre x \$5.00) - \$432.50/acre = \$467.50/acre

Margin Deductible

Expected Revenue x (1 - Coverage Level)
(180 bu./acre x \$5.00) x (1 - 95%) = \$45.00/acre

Trigger Margin

Expected Margin - Margin Deductible
\$467.50/acre - \$45.00/acre = \$422.50/acre

Calculating an MP Indemnity with a 1.20 Protection Factor

Harvest Margin

(Harvest Yield x Harvest Price) - Harvest Cost
(160 bu./acre x \$4.80) - \$432.50/acre = \$335.50/acre

Margin Loss

Trigger Margin - Harvest Margin
\$422.50/acre - \$335.50/acre = \$87.00/acre

Margin Indemnity

Margin Loss x Protection Factor
\$87.00/acre x 1.20 = \$104.40/acre