



Grape Crop Insurance Basics

Presented by Stephanie Dew

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Insurance Availability for 2012 Harvest

- 4th Growing Season after being set out (2008)
- 3rd Growing Season after being grafted (2009)
- Must have produced at least 2 tons per acre within the last 3 years
- Irrigated Crops Only
- All insurable grapes within the same county must be reported (grape growers are unable to only insure selected varieties)



Important Dates

- 11/20/2011 - Sales Closing Date & Policy Effective Date (no coverage available after this date until the following year)
- 1/15/2012 - Acreage Reporting
- 9/15/2012 - Premium Due
- 10/10/2012 - End of Insurance Date



Covered Cause of Loss

- Adverse weather conditions;
- Fire, unless weeds and other forms of undergrowth have not been controlled or pruning debris has not been removed from the vineyard;
- Insects, except Phylloxera, but not damage due to insufficient or improper application of pest control measures;
- Plant disease, but not damage due to insufficient or improper application of disease control measures;



Covered Cause of Loss (continued)

- Wildlife;
- Earthquake;
- Volcanic eruption; or
- Failure of irrigation water supply, if caused by an insured peril that occurs during the insurance period

Note: Policy does not cover the inability to market grapes for any reason other than the actual physical damage from an insurable cause.



Coverage Definition & Available Increments

- **APH – Actual Production History**
 - Insurance coverage that only provides protection against a production loss (quantity is insured, not quality)
 - Utilizes Acreage and Production History (4 yrs. unless grafted)

- **Yield Protection Increments**
 - 50% Yield = CAT Coverage @ Reduced Pricing
 - 55% - 75% available in 5% increments

The government subsidized % decreases as coverage increments are increased



Grape Groups & Pricing Per Ton (2012)

- **Group A** includes the varieties of Cabernet Sauvignon, Chardonnay and Merlot **\$1,350 / \$742.50 CAT**
- **Group B** includes the varieties of Sauvignon Blanc and Chenin Blanc **\$795 / \$437.25 CAT**
- **Group C** includes the varieties of Barbera, Cabernet Franc, Gewurztraminer, Muscat Blanc/Muscat Canelli, Pinot Blanc, Pinot Noir, Zinfandel, Napa Gamay, Seval Blanc and other varieties **\$1,035 / \$569.25 CAT**
- **Group D** includes the varieties of French Columbard, Ruby Cabernet, Semillon and White Riesling **\$1,035 / \$569.25 CAT**



Production Example (Simplified)

Year	Production (in tons)	Acres	Yield (tons per acre)	Coverage Level
2008	21	10	2.1	65%
2009	14	10	1.4	65%
2010	49	10	4.9	65%
2011	12	10	1.2	65%
Average	24	10	2.4	65%

- If in 2012 the Yield is 1.8 tons per acre
($2.4 \times .65 = 1.56$) 1.8 is higher than 1.56, therefore, no loss is covered
- If in 2012 the Yield is 1.0 ton per acre
($2.4 \times .65 = 1.56$) 1.0 is less than 1.56, therefore, coverage for $.56 \times \$$ price per ton (Group Pricing) $\times 10$ (# of acres)



Production Example (Simplified)

Year	Production (in tons)	Acres	Yield (tons per acre)	Coverage Level
2008	21	10	2.1	75%
2009	14	10	1.4	75%
2010	49	10	4.9	75%
2011	12	10	1.2	75%
Average	24	10	2.4	75%

- If in 2012 the Yield is 1.8 tons per acre
($2.4 \times .75 = 1.8$) 1.8 equals 1.8, therefore, no loss is covered
- If in 2012 the Yield is 1.0 ton per acre
($2.4 \times .75 = 1.8$) 1.0 is less than 1.8, therefore, coverage for $.8 \times \$$ price per ton (Group Pricing) $\times 10$ (# of acres)



50% CAT Pricing vs. 55% Buy-up Option

Year	Production (in tons)	Acres	Yield (tons per acre)	OPTION 1 Coverage Level	OPTION 2 Coverage Level
2008	30	12	3.0	50% CAT	55% Buy-up
2009	23	12	2.3	50% CAT	55% Buy-up
2010	10	12	1.0	50% CAT	55% Buy-up
2011	37	12	3.7	50% CAT	55% Buy-up
Average	25	12	2.5	50% CAT	55% Buy-up

- OPTION 1 - 2012 Yield was 1 ton per acre
 $(2.5 \times .50 = 1.25)$ $1.25 - 1$ ton per acre = .25 coverage
 $.25 \times \$742.5$ (Group A CAT Pricing) $\times 12$ acres = **\$2,227.50 payment**
- OPTION 2 - 2012 Yield was 1 ton per acre
 $(2.5 \times .55 = 1.375)$ $1.375 - 1$ ton per acre = .375 coverage
 $.375 \times \$1,350$ (Group A Pricing) $\times 12$ acres = **\$6,075 payment**



55% Coverage vs. 75% Coverage

Year	Production (in tons)	Acres	Yield (tons per acre)	OPTION 1 Coverage Level	OPTION 2 Coverage Level
2008	30	12	3.0	55%	75%
2009	23	12	2.3	55%	75%
2010	10	12	1.0	55%	75%
2011	37	12	3.7	55%	75%
Average	25	12	2.5	55%	75%

- OPTION 1 - 2012 Yield was 1 ton per acre
 $(2.5 \times .55 = 1.375)$ $1.375 - 1$ ton per acre = .375 coverage
 $.375 \times \$1,350$ (Group A Pricing) $\times 12$ acres = **\$6,075 payment**
- OPTION 2 - 2012 Yield was 1 ton per acre
 $(2.5 \times .75 = 1.875)$ $1.875 - 1$ ton per acre = .875 coverage
 $.875 \times \$1,350$ (Group A Pricing) $\times 12$ acres = **\$14,175 payment**



Premium Example for Merlot (Group A)

- 5 Acres
- 3.1 Average Yield (tons per acre)
- 15.5 Average Production (in tons)

Coverage Level	Total Guarantee	Total Coverage	Total Premium	Guarantee Per Acre	Coverage Per Acre	Premium Per Acre
55%	8.6 tons	\$11,610	\$837	1.71 tons	\$2,322	\$167.40
60%	9.3 tons	\$12,555	\$993	1.86 tons	\$2,511	\$198.60
65%	10.1 tons	\$13,635	\$1,336	2.02 tons	\$2,727	\$267.20
70%	10.9 tons	\$14,715	\$1,657	2.17 tons	\$2,943	\$331.40
75%	11.7 tons	\$15,795	\$2,187	2.33 tons	\$3,159	\$437.40



Premium Example for Sauvignon Blanc (Group B)

- 5 Acres
- 3.1 Average Yield (tons per acre)
- 15.5 Average Production (in tons)

Coverage Level	Total Guarantee	Total Coverage	Total Premium	Guarantee Per Acre	Coverage Per Acre	Premium Per Acre
55%	8.6 tons	\$6,837	\$493	1.71 tons	\$1,367.40	\$98.60
60%	9.3 tons	\$7,294	\$585	1.86 tons	\$1,478.80	\$117.00
65%	10.1 tons	\$8,030	\$787	2.02 tons	\$1,606.00	\$157.40
70%	10.9 tons	\$8,666	\$976	2.17 tons	\$1,733.20	\$195.20
75%	11.7 tons	\$9,302	\$1,288	2.33 tons	\$1,860.40	\$257.60



Items Needed to Provide a Quote

- Pre-Acceptance Worksheet
- Adjuster Inspection Required
- Maps of plots and plot coordinates
- SS#, FSA # & Tax ID#
- Acreage report by type of grape variety planted
- Written Agreement if outside of the following counties: Hale, Hockley, Lamb, Lubbock, Lynn, Pecos, Runnels & Terry



Questions?

Stephanie Dew, CPCU, CIC

Regnier & Associates

3420 Executive Center Dr. #301

Austin, TX 78731

800-252-9435 office

512-777-8461 cell

sdew@regnierinsurance.com