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

Why boost with Margin Protection

- Area-based* coverage that uses the same expected and final yields as Area Risk Protection Insurance (ARPI), Supplemental Coverage Option (SCO), and Enhanced Coverage Option (ECO) 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.*

NAU Country
A QBE Insurance Company

www.naucountry.com

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

NAU Country Insurance Company
7333 Sunwood Drive | Ramsey, MN 55303
www.naucountry.com | 1.888.NAU.MPCI

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

Margin Protection

Protect yourself from an unexpected decrease in your operating margin.

NAU Country
A QBE Insurance Company

Margin Protection plan of insurance

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. Since MP is area-based (average for a county), an individual farm may have a decrease in its margin, but may not receive an indemnity or vice-versa.

An insured may buy MP and a Yield Protection or Revenue Protection policy (denoted as a base policy) on the same acreage. However, 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 basics

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 simple 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/acre

Trigger margin
Expected Margin - Margin Deductible
$467.50/acre - $45/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 = $87acre

Margin indemnity
Margin Loss x Protection Factor
$87/acre x 1.20 = $104.40/acre