



United States Department of Agriculture
Farm and Foreign Agricultural Services
Risk Management Agency

December 17, 2001

INFORMATIONAL MEMORANDUM: R&D-01-056

TO: All Reinsured Companies
All Risk Management Agency Field Offices
All Other Interested Parties

FROM: Tim B. Witt /s/ Tim B. Witt
Deputy Administrator

SUBJECT: Hybrid Seed Price Endorsement

BACKGROUND:

On November 15, 2001, the Federal Crop Insurance Corporation (FCIC) Board of Directors approved the Hybrid Seed Price Endorsement (HSPE) for all counties in which the Multiple Peril Crop Insurance (MPCI) hybrid seed corn policy is available in the States of Illinois, Indiana, Iowa, Michigan, Minnesota, Nebraska, South Dakota, and Wisconsin beginning with the 2002 crop year. HSPE is written as an endorsement to the FCIC-reinsured MPCI hybrid seed corn crop insurance policy, and uses a corn price derived from the Chicago Board of Trade (CBOT) instead of the MPCI corn price.

The amount of insurance and policy premium for HSPE is determined by using the February average daily settlement price for the harvest year's CBOT December corn futures contract. If HSPE is selected on a policy and the CBOT corn price is less than the otherwise applicable MPCI corn price, the MPCI price will apply. If higher, the futures price is used to calculate the amount of insurance, premium, indemnity, premium subsidy and the administrative and operating expense. The Risk Management Agency (RMA) will release the CBOT corn price not later than March 10 of each crop year as an actuarial addendum.

When HSPE is chosen, all acreage insured under the MPCI hybrid seed corn policy must also be covered by HSPE. The Catastrophic Risk Protection Endorsement is not available with HSPE.



6501 Beacon Drive \$ Kansas City, MO 64133

The Risk Management Agency Administers and Oversees
All Programs Authorized Under the Federal Crop Insurance Corporation

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HSPE will be reinsured under the Standard Reinsurance Agreement under the same terms as the policy to which it is attached. All reinsured companies are eligible to sell it. The 2002 actuarial documents will not be re-filed but the actuarial data master will be updated for this coverage. Application for HSPE must be made no later than the sales closing date for the MPCI hybrid seed corn policy by designating "HSPE" in the price column of the application.

ACTION:

RMA has placed the Hybrid Seed Price Endorsement (Ed. 12-01) on the RMA Web Site at <http://www.rma.usda.gov/policies/2002policy.html>.

DISPOSAL DATE:

This Informational Memorandum is for the purpose of transmitting information and its disposal date is December 31, 2002.

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