THE

HOME AGENCY

MAGAZINE

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FROM THE DESK OF
JIM BALDONADO

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PAYING OFF DEBT: THE SNOWBALL EFFECT

FEBRUARY 2019

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The Home Agency Magazine

PRESIDENT'S THOUGHTS

FROM THE DESK OF JIM BALDONADO

Remember the saying, "if it sounds too good to be true, it probably is," or "you get what you pay for"?

The Home Agency has been in business for over 30 years and many of those years with some of you! A lot of things have come and gone and we have seen quite a bit of change over that time. Over the years, The Home Agency was one of the first to bring to you products like Companion Hail, CRC and CRC-plus. Then we went to a revenue product called RA (Revenue Assurance) and then we brought in products like Production Hail.

Production Hail is a great product and is the hail product most of you buy. Over the last few years, I've also told you that one of these days Production Hail may go away because it just is not rated correctly. If insurance companies start having lots of losses, they will have to start rating it correctly and rates will go up, then you'll be forced to buy a different product.

Well, that's not quite what happened, but last year an insurance company came into the state and filed dirt-cheap hail rates mainly in the eastern part of the state. To give you an idea how cheap; what some companies were selling for $41 per acre in Hamilton County, this company was selling for $21 per acre for the same production hail policy. Like I said earlier, sounds too good to be true. Some producers transferred their multi-peril crop insurance to this company and also purchased their hail from this company. All was well until May of this last year. That's when some of them received a letter from the insurance company stating they were unable to honor the hail product that was purchased because of lack of reinsurance. So, now the farmers had their multi-peril crop insurance with that company, but did not have any hail insurance going into the hail season. Bottom line, RMA stepped in and allowed those farmers to move their multi-peril crop insurance back to the prior company they were with and then they had to go out and find new hail insurance. Boy, what a mess for all involved.

That is the first time in the 30+ years that I have been in business that I've known RMA to allow anyone, after March 15th, to move their crop insurance to another company. However, that was not the end of it. Fast forward to the last couple months, the Nebraska State Department of Insurance became involved and has since put a cap on what insurance companies could deviate from the standard hail rate. So, for example, in 2019 if the standard rate is $10, the insurance companies cannot deviate more than 25% of the $10 or be as low as $7.50. In 2020, the maximum deviation is 15%. So, using the same example of $10, the minimum the insurance company could charge would be $8.50. In the past, the state department of insurance has never been involved with what insurance companies charged because everybody was, for the most part, in line. But when someone comes into the state and charges half of what most people charge and then have the problems that they had, the state department had to get involved. So, you are going to see hail rates go up, how much I don't know. We will see come spring.

I know for a fact that Jim Baldonado or The Home Agency has never been accused of selling a cheap product. We also know multi-peril crop insurance is all the same price no matter who you buy it from. What people need to do is buy their crop insurance, or any insurance for that matter, from a reputable insurance agent, someone that has a long-standing relationship with the same insurance company, not an agency that bounces around from company to company, year after year, trying to get the cheapest rate.

The Home Agency believes in delivering products competitively priced from some of the top insurance companies in the country. Hopefully the problems that happened last spring will not happen again, but remember when someone comes knocking with a product that sounds too good to be true, it probably is.

Jim

CROP INSURANCE UPDATE

CINDY DAVIS

I am guessing a lot of producers were glad to see the end of the 2018 crop year. A late season snow storm in April hindered planting and was the start of several delays throughout the crop year. Record setting rainfall in parts of the Midwest, and a few hail storms rounded out the growing season and although winter has been mild so far, Mother Nature took her toll just as harvest was in full swing. At the time of writing, in mid-December, there are still crops standing in our area and many surrounding states. Harvest may have been delayed, but thankfully some bright spots prevailed at the end of the year...losses were at a minimum and many producers even reported record yields on some of their farms.

2018 Row Crop Production

Speaking of record yields and harvest delays, your agent is in need of your production records as soon as possible if you have not already turned them in. Once your data bases are updated, your agent can provide accurate quotes for the upcoming 2019 crop year. Below you will find the chart showing where the 2018 Harvest Prices were set for row crops.

2018 Spring Crop Prices & Harvest Tracking Dates

Crop	States	Projected Price Set - Yield Protection and Revenue Protection	Harvest Price- Revenue Protection
Corn	NE, KS, IA, CO	$3.96	$3.68
Grain Sorghum	NE, KS, IA, CO	$3.83	$3.56
Soybeans	NE, KS, IA, CO	$10.16	$8.60

Farm Bill - Multi-County Enterprise Unit Endorsement (MCEU)

We hope you all had a wonderful holiday season and had time to relax during the end of the year. With the New Year, we begin a new row crop season, and of course, new deadlines. Before I talk about the first deadline and sales closing reminders, I have to say we have recently received great news in the crop insurance industry. President Trump signed a new Farm Bill into law this week, and as far as we know right now, the crop insurance title saw very little change and will remain a top risk management tool for producers. The one change we do know about could be of interest to some producers farming in adjoining counties. The new Farm Bill is going to offer a 'Multi-County Enterprise Unit Pilot Endorsement'. This pilot endorsement, known as MCEU, could be useful for producers who have small amounts of acreage in a county contiguous to their primary county and want to incorporate those acres into an enterprise unit. The contiguous counties must be in the same state and both counties must be insured with the same Approved Insurance Provider. To qualify for a MCEU, one county must individually qualify for the EU election the producer chooses and the other county does not. In addition, both county crop policies must have the same elections for: MCEU, insurance plan, coverage level, by irrigation practice (if applicable) and enterprise unit by practice. I'm sure FCIC and RMA will be working adamantly to get all the Farm Bill changes and additions implemented. If you are interested in MCEU or have questions, give your agent a call. We will keep you abreast of any other Farm Bill changes affecting crop insurance just as soon as they become available.

Market Facilitation Program (MFP)

There was other good news for producers last fall, following several months of trade negotiations and imposed tariffs between the U.S. and China. On August 27, 2018, Sonny Perdue, the U.S. Secretary of Agriculture, announced details of actions the U.S. Department of Agriculture took to assist farmers affected by trade retaliations of foreign nations. The Market Facilitation Program (MFP) was established for this purpose under the authority of the Commodity Credit Corporation and administered by FSA. It provides partial compensation to farmers and share-rent landowners for losses occurring because of trade disputes. For each covered commodity (including corn, grain sorghum, soybeans and wheat for our area), the payment rate will be dependent upon the severity of the trade disruption and the period of adjustment to new trade patterns. Eligible participants of MFP must have an ownership interest in the commodity, be actively engaged in farming, and have an average adjusted gross income (AGI) for tax years 2014, 2015, and 2016 of less than $900,000. Applicants must also be conservation compliant. Sign-ups began after harvest was complete and producers reported their 2018 production to FSA. The initial MFP payments, which began on September 4, 2018, were calculated based on 50 percent of the producer's total production. At that time, it was unknown if a second MFP payment would be made on the remaining 50 percent of production, but on December 17, 2018, President Trump reaffirmed his support for American farmers and ranchers making good on his promise and authorized the second and final round of trade mitigation payments to producers.

2019 Row Crop - Sales Closing Deadline

Hopefully the 2019 crop year will run a little smoother for everyone, but in working with government programs and at the mercy of Mother Nature, one never knows. What we do know, however, is that our Legislators have proven they will take steps to safeguard the policies and procedures to protect the American farmers and ranchers, and keep crop insurance at the top of their priorities. The 2019 row crop season will kick off with the sales closing deadline (SCD) on **March 15, 2019.** This is the deadline to have all coverage in place, including changes in current coverage, new policies, transfer policies and cancelations. There have been a lot of changes in the crop insurance industry over the past several years. Many new policies and endorsements have been added, making the sales closing season a tricky one. We encourage you to meet with your agent prior to the SCD to review your policies and elect the coverage that best fits your farming operation. Below are a few of the newer policy additions and/or endorsements that have become available to producers in the last few years. Ask your agent about the benefits and if you would qualify:

- Beginning Farmer/Rancher (BFR) – this has become an increasingly popular endorsement for new farmers, and includes many benefits over a 5 year period for those who qualify.
- Yield Exclusion (YE) – this endorsement also has become a popular option. When elected, a producer can exclude eligible yields from a database. This option is not available on all crops/counties, check with your agent to see if your crops qualify in your county.
- Separate Enterprise Units for Irrigated and Non-Irrigated acreage (if qualified) and separate coverage levels for Irrigated and Non-Irrigated acreage.
- New for 2019 row crops – Multi-County Enterprise Unit Endorsement (detailed earlier in the article).
- New for 2019 row crop season – Coverage for White Corn and Waxy Specialty Corn, in some states/counties, at a more favorable contract price. See your agent for details – must be elected by SCD.

At SCD time, it is also very important to review current policies. RMA continues to data mine for policy errors. If errors are found after the deadline, we may not be able to correct them for the current crop year, and this could prove detrimental to your coverage! Take the time to sit down with your agent **prior to the deadline** and review the following reminders as well:

- Make sure you have a policy for every county you need coverage in and you have all the crops on the policy you want to insure! If you have acquired new ground or intend to, a new application will be needed prior to Sales Closing Deadline.
- Verify all the information on your policy: coverage plans, coverage levels and options. Also double check the entity name and EIN for the primary insured and all the people listed under that entity.
- Has there been an entity change? (A recent marriage, or divorce, a new trust or partnership set up, has someone on the policy passed away). If an entity, such as a corporation, partnership or joint venture has had someone pass away, the crop companies may require legal documentation to verify whether or not the entity lawfully continues.
- Trend Adjustment (TA) – although this is not a new option, it could prove very beneficial to your yields. The TA option adjusts yields in qualifying databases to reflect increases in yields through time in the county. If you haven't already looked at this option, it would definitely be one to look at with your agent if it is available for your county/crops/practices. This option must be elected by Sales Closing as well.
- Have you broke out new ground or Native Sod? If so, a written agreement may be needed to request coverage on this acreage. These requests are also due by Sales Closing Deadline. Native Sod acreage comes with very strict regulations. It would be a good idea to check with your agent before you break Native Sod acreage to go over the rules and coverage available. In some cases there is a significant decrease in coverage for up to four years and also a loss of premium subsidy.
- Are you an organic producer? There is coverage available in most areas for organic crops. Let your agent know if you will be farming organically. Your agent will also need, on the date your acres are reported, a current organic plan, a written organic certificate, or documentation from a certifying agency indicating an organic plan is in place.
- Contract Pricing is available in certain counties for certain specialty crops and also for some organic crops. Ask your agent about this option if you are considering a contract price for some of these types of crops.
- If you will be using Precision Farming techniques in your farming operation, be sure to check with your agent for the crop insurance rules regarding this method of reporting. There are a number of requirements that must be met with Precision Farming and they begin with planting.
- Conservation Compliance was among many of the changes added with the 2014 Farm Bill. All producers should have an AD1026 on file with FSA. For some of you, this is nothing new, but where we run into issues with crop insurance

is with new farmers. If someone new begins farming they also need to have the AD1026 on file with FSA. Many new producers are not aware of this rule. Keep in mind a new entity also has to have the AD1026 signed. For example, if you have been farming as a married entity but then decide to farm as a LLC or different type of entity, that new entity must sign the AD1026 as well. In an effort to help new farmers with this, RMA has a "First Time Farmer Certification" which is a one-time exception form that may help them keep the subsidy the first year of farming. If you are a new farmer it is very important that you check with FSA and complete the Conservation Compliance paperwork in addition to the crop insurance forms.

If that wasn't enough information to review, there are also several private supplemental policies to consider at Sales Closing Deadline. From Added Price Option (APO), Late Plant Option, Replant Option, Added Revenue Price Option (ARPO), Revenue Protection Policy (RPP) and Base Price Modifier (BPM) among others. If commodity prices don't rebound, these policies could make a big difference on the bottom line. It's definitely a lot of information to soak in, so let your agent help explain and tailor a package that will fit your individual farming operation.

The chart below will detail when the 2019 Row Crop projected prices for corn, grain sorghum and soybeans will be set.

2018 Winter Wheat Prices & Harvest Tracking Dates

Revenue Protection/ Yield Protection	Projected Price Tracking Dates
Corn	February 1 - February 28 December Corn - CBOT
*Grain Sorghum	February 1 = February 28 December Corn - CBOT
Soybeans	February 1 - February 28 November Soybeans - CBOT

* Multiplied by price percentage relationship between corn and grain sorghum, as determined by RMA

2019 Winter Wheat – Short Rate

March 15th, 2019, is also the deadline for short rating wheat. This option is available in most counties. If you would like to short rate your 2019 wheat, and pay a reduced premium (normally 35% of the original premium), you must submit a written notice to your agent **on or before March 15th, 2019.** Short rating wheat gives producers the option to pay the reduced premium and intentionally destroy the crop before harvest, by grazing or other means. Short rating wheat will not have any impact on the approved production history (APH).

Give us a call or stop in to see your agent anytime! We are always here to help!

LIVESTOCK RISK PROTECTION UPDATE

ARLYN RIEKER

Here at The Home Agency we strive to provide you, the producer, with all the available products to aid in the profitability of your operation. Whether it is Crop, Property and Casualty, Farm or Auto insurance, we feel our knowledge of the products is our strong point. One product used for price protection by livestock producers is Livestock Risk Protection or LRP.

Livestock Risk Protection is a tool to protect the livelihoods of cattlemen and ranchers against the financial risk they face and downward turns in market prices that exist for them.

Livestock Risk Protection is one of the risk management tools that can be used as a price floor for cattle producers. Livestock Risk Protection is exactly what the names says "Risk Protection". LRP provides protection against a decline in prices below the established coverage price for fed and feeder cattle. For those of you who have purchased LRP in the past, this will be a little refresher course, and for the people interested in protection against a downturn in the cattle market, this will be an LRP 101 introductory course.

LRP may be purchased at any time throughout the year, which makes it easy to ensure your coverage will correspond with the marketing of your livestock. The coverage prices and rates fluctuate daily and are based on the Chicago Mercantile Exchange (CME). Premium rates, coverage prices and levels as well as actual ending values are posted daily. Unlike crop insurance where we know when and how the base prices are set to establish the rates and premiums, unfortunately with LRP we don't have that formula. We run quotes daily to access the coverage prices, levels offered and premiums. There might be coverage one day and not the next, we just don't know until the quotes are established at the end of each trading day at 3:30 P.M. If coverage is available it can be written from that time until 9:00 A.M. the following morning. This is why we run the quotes daily and stay in contact with producers to keep them up-to-date on the coverage prices. All these quotes and Actual Ending Values can be found on our website, www.thehome-agency.com.

One of the main questions producers have is, "How are the steers and heifers insured?" Price Adjustment Factors (PAFs) are applied and here is an example.

- Price adjustment factors (PAFs) are applied to the expected ending values, coverage prices, and actual ending values prior to RMA publishing.
- LRP feeder cattle insurance coverage prices and rates are based on the CME Feeder Cattle contract, which is cash settled to the CME Feeder Cattle index.
- The CME Feeder Cattle contract and the CME Feeder Cattle index are only based on the price series for steers weighing 700-899 pounds, excluding predominantly Brahman or dairy breeds. Because the CME Feeder Cattle futures prices are for steers of a certain type and weight, a PAF is used to calculate expected ending values, coverage prices, and actual ending values for other types and weights of feeder cattle (heifer, predominantly Brahman, and predominantly dairy). Prices are adjusted by multiplying the appropriate daily LRP expected or actual ending value by the appropriate PAF.

Example of Coverage Prices

Insured Weight Range	Steers	Heifers
wt. 1 <6.0 CWT.	$174.23 (110%)	$158.39 (100%)
wt. 2 <6.0 - 9.0 CWT.	$158.39 (100%)	$130.55 (90%)

*Steers wt. 2 based on Mercantile 750# steers

Example of Ending Prices/Index set at $180

Insured Weight Range	Steers	Heifers
wt. 1 <6.0 CWT.	$159.50 (110%)	$145.00 (100%)
wt. 2 <6.0 - 9.0 CWT.	$145.00 (100%)	$130.50 (90%)

*Index is weighted avg. 700-899# steers

Example of Loss

Coverage Price $158.39
Ending Price $145.00

Loss $13.39/cwt

Loss for 750#
$13.39 x 7.5 = $100.43/head

Another question we are often asked is, "Does it matter what the cattle weigh or what I sold them for?" It doesn't matter what they weigh on sale day, what you sell your cattle for or even if you retain ownership; what determines whether or not you have a loss is if the Actual Ending Value on your coverage ending date is below your Coverage Price. It is worth noting that if you sell your cattle more than 30 days prior to your LPR contract ending date, your coverage will be voided. Also, LRP is not a mortality policy; however, if animals die, we need to be notified of the death and document the death loss. If you have an indemnity you may still be paid the LRP loss on the dead animal.

There are a couple points I would like to touch on: If you are a beginning farmer you may qualify for a premium reduction for the LRP which is definitely to your advantage in keeping your costs down. Also, in order to qualify for the premium subsidy for LRP, even if you don't farm and just have livestock, you need to complete the AD1026 Highly Erodible Land Conservation (HELC) and Wetland conservation (WC) certification form at your local FSA.

Many of you are calving now and it would be a good time to give us a call. I am be happy to visit with you about the LRP policy and how it may help you to manage your bottom line for your livestock operation.

Julie and I are looking forward to seeing many of you at the Nebraska Cattlemen's Classic in Kearney February 16-24 and the Hueftle Cattle Company Annual Bull Sale in March. If you have any questions regarding the mortality coverage, Julie is available to help you.


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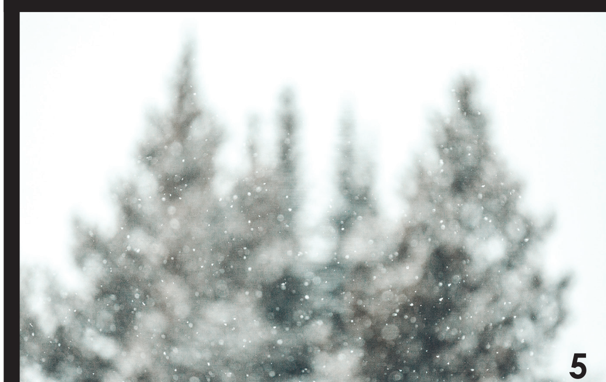
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1., 4., 9.	Jeri Schultheiss
2., 3., 8.	Sharri Baldonado
5.	Jonathan Knepper
6.	Sara Ross
7.	Emma Valerio
10., 11.	Diane O’Donnell

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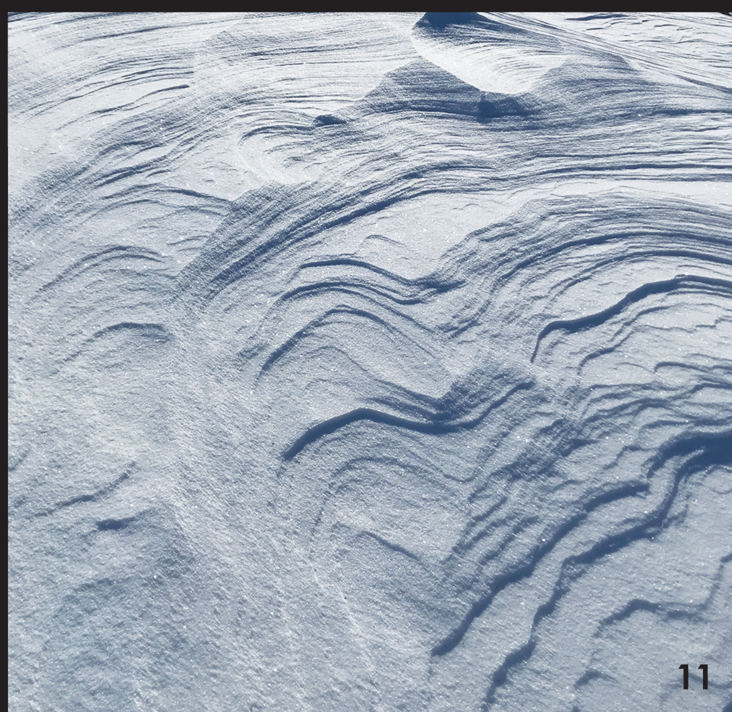
WINTER WONDERLAND



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Regional News

Hear from our agents in your area!

Dave Meyer

Ruskin, NE

Another harvest is in the books and already the talk is about starting the cycle over again. Unless we have some unusually warm temperatures, it will be a busier than usual spring in our area. Typically the bulk of fertilizing would be done by now, but very little has been applied this fall.

With the exception of a few areas of extreme drought, it was another very good year production-wise. For the farmers in those drought areas, the crop insurance check has turned a potential disaster into a manageable situation.

I hope everyone had a Blessed Christmas and a Happy New Year.

Meghann Pursley

Benkelman, NE

Hello from snowy southwest Nebraska! I hope you all had a great holiday season spent with friends and family.

By the time you read this, we should have all corn production accounted for as the snow has definitely extended harvest. Please keep in mind we have 15 days after harvest to turn in any production claims, so don't delay in reporting your yields. It's fun having a year like this where many of you had the best crops you've ever raised. It's an APH-building year for sure. Many of those yields were due to us dodging wind and hail, which typically doesn't happen. Hail rates are out and now is a good time to take a look and plan your risk strategy for the year before the storms start rolling in this spring. It's also a great time to mark those extra bushels in your bins before you add to them next harvest. Keep in mind if you plan to short rate your wheat, the deadline is March 15th. If you have any winter kill or plan on using your wheat to graze, it is very important to notify us for an appraisal BEFORE turning cattle out.

It was great to see many of you at our annual customer appreciation meeting. Thank you for your business, we sincerely appreciate it!

Andrew Bellamy

Ansley, NE

For a year that seemed like everything was going our way, it sure got wet in late August and September. Harvest tried its best to drag out as long as possible this year. In the Ansley area, I had very few acres not out of the field by the end of the insurance period on the 10th of December. What was left was out shortly after. Compared to other areas of the state and country, that's not bad!

While Mother Nature didn't cut us many breaks during harvest, it did provide a lighter hail and wind season. I know some guys got hit with some hail, but compared with the area last year I can say this year was much better especially considering I wasn't able to write about wrapping up claims until March last year, and this year I'm able to write about it in December!

Yields across the area are looking very good especially on corn, with some of the highest dryland yields fields have ever seen. Beans aren't bad either, but I know some guys were expecting more considering the price drop. Price changes like we saw on beans highlight the importance of high multi-peril levels to capture claims due to revenue loss this year. Price loss alone on soybeans raised your guaranteed bushels 18%.

As I'm writing this, we have just gotten through Christmas. At 14 months, Maverick has no interest in unwrapping his own gifts, but does enjoy playing with them afterwards. These days he is very mobile and enjoys exploring new areas such as kitchen drawers and cupboards that a few months ago were too high for him. Dad's childproofing is falling behind. On the plus side, I have lost weight and I don't know how it happened. Since he doesn't sit still, I don't have time for exercising (at least that's what I tell myself) so it's a mystery!

As you are reading this, your mind will be on many things for the upcoming crop year and hopefully insurance is one of them. If any questions come to mind, please don't hesitate to call me any time. You might not always catch me in an office, but I am always available on my cell 308-325-7105.

Again, thanks for the opportunity to serve your insurance needs, and let me know if there is anything I can do to help out.

Enos & Jill Grauerholz

Beloit, KS

As I'm writing this today, it is December 21, the fall harvest of 2018 is not yet complete. It is already time to start a marketing plan for fall 2019. I would like to encourage you to take a look at premium offer contracts with your merchandiser. They can sell a forward call option. That call will have time value and you will take that cash on top, "a premium" above the current board price. This can make current prices much more attractive. If the option they sold expires higher, you simply deliver double the bushels at prior established price. This will be an opportunity to sell more bushels at the now higher board price. I wouldn't do more than 30 percent on this type of contract. This is an aggressive early marketing strategy. Basis can be established separately closer to harvest. The biggest advantage is this creates a conversation with the grain buyer and helps us all get started. As always, we should have an idea of guaranteed bushels from your revenue plan for 2019. Let's all pray for a better 2019!

Rhonda Jones
Kirwin, KS

Mother Nature strikes again. 2018 fall harvest will be one to remember. There were some record setting yields in the area along with rainfall. A few farmers were still picking corn in late December.

2019 brings a new farm bill to the table and thankfully crop insurance is still intact. It's also starting us with wet and muddy conditions. This wet weather will make it tough for calving season. Our son bought his dad a heavy-duty tow rope for Christmas and I'm afraid it may come in handy.

I baked over 150 dozen cookies this holiday season and my hands feel like it. I'm having carpal tunnel surgery on my right hand after Christmas and the left one will have to wait until June.

Thank you for entrusting me with your crop insurance. I look forward to working with you in the new year.

Clark Redding,
Larned, KS

Here we are at the beginning of another year. I mean it seems like we just turned into 2018 and it's gone already. Where does the time go? For some, they're glad it's over. Those in eastern Colorado that were hailed on time and again this year are definitely glad it's over. From just a little, to a heck of a lot, just about everyone got a taste of hail this year and our yields are the proof.

Central Kansas didn't get as much hail, but they did get a lot of moisture, especially when they were trying to get the wheat planted. For some, it took way longer than usual. This also stretched into corn and milo harvest and those farmers had to contend with mud and high moisture grain. Actually, as I am writing this (end of December), there are some still cutting milo.

Christmas time: When the kids were little it was easy to get caught up in all the hoopla, buying presents, parties and enjoying the holiday spirit. It's quieter now and we can reflect a little more on the reason for the season. We all have a lot to be thankful for. I'm thankful for my new hip. It works well and I don't limp anymore. I'm thankful for my wife and that she has put up with me for so long—now it's too late to back out. My kids and my grandkids...what a deal. It's all good and I hope it's good for all of you.

Thanks again for your trust and your business. I look forward to working with all of you in 2019.

Kevin & Sara Ross
McClelland, IA

Welcome 2019 from SW Iowa! Well folks, I don't think I am the only one glad to see 2018 in the rear view. The agronomic challenges we experienced in the last year were all over the board, but I guess if it was easy everyone would do it, right? Even with the challenges we had last year, the majority of claims revolved around the greensnap issue we had in the area, Missouri River challenges, or were due to the decline of the soybean price. It was a long slog of a fall for most in our area and while I am writing this, there are many that are yet to finish due to all the mud. The conditions through most of December have been less than ideal for cattle as well, with the conditions of lots and snow-covered stalks for most of the month. I know, personally, we have gone through more hay and feed than I normally anticipate for this early into winter.

I would be remiss if I didn't mention some of the amazing potential we are seeing in some hybrids of corn and the soy yields seem to be creeping upward, illustrated by some of the large harvested totals in the U.S. recently. On the bright side, the world is consuming very large amounts of our U.S. crops and protein in our animal industry. The ethanol and biodiesel industries keep growing capacity, but profitability recently has been a struggle and will trickle down as well. Keeping these things in mind, take advantage of the market opportunities as best you can in the near term, but long-term outlooks for agriculture are very exciting to me.

Can't wait to see everyone at our Crop Luncheon on Friday, February 8th. I hope to see many of you there and am excited for another year helping you make the best crop insurance decisions for your operation.

Here is to a profitable 2019 for everyone! Let The Home Agency be a part of what makes that happen for you.

FARMERS MUTUAL INSURANCE OF NEBRASKA: SPECIAL PERILS COVERAGE FOR FARM MACHINERY BLANKETS

CORBETT HAHN

If you are one of our clients with farm insurance through Farmers Mutual of Nebraska, you are probably familiar with the practice of scheduling some pieces of farm equipment rather than including them under the farm blanket. This was to include coverage that was not offered under the blanket section of the policy. However, we can now provide expanded coverage under the blanket and eliminate the need to schedule certain items. So, let's take a look at why you might want to add special perils coverage to the blanket.

Your farm blanket is written on a named perils basis. This means that you have coverage for any peril that is named in the policy for that section of coverage. Here is the list of named perils under the farm blanket.

1. Fire or Lightning
2. Removal
3. Windstorm or Hail
4. Explosion
5. Riot or Civil Commotion
6. Aircraft
7. Vehicles
8. Smoke
9. Vandalism and Malicious Mischief
10. Theft
11. Collision **(This peril does not include loss to internal damage caused by objects taken into any machine or vehicle)**
12. Accidental Shooting of Livestock (except poultry)
13. Death of Livestock (except poultry) Resulting from Attack by Dogs or Wild Animals
14. Drowning of Livestock (except poultry)
15. Death of Livestock (except poultry) by electrocution
16. Death of Livestock (except poultry) resulting from loading or unloading accidents
17. Breakage of Glass
18. Collapse
19. Volcanic Eruption

In the past, the main reason we scheduled items instead of adding them to the blanket was primarily for one thing, "foreign object intake". If you look at the list of covered perils, under item 11. Collision, you will see that foreign object intake is excluded. Foreign object intake is when an object is taken into a piece of machinery and does damage to the internal workings of the machine. The most common example of this would be an item that gets ingested into a combine. You can just imagine the damage to the internal workings of a combine if a large rock were taken into the machine. Items typically scheduled were the ones where this type of damage was possible. Items like combines, balers, and swathers.

Special perils coverage differs from named perils in this way. Instead of having a list of things you are covered for, you have a list of exclusions. If you suffer some sort of direct physical damage and it's not something excluded by the policy, then it is a covered peril. So, using our example with "foreign object intake", since it is not excluded under special perils coverage, it is automatically a covered peril. But foreign object intake is not the only reason to want special perils coverage. Another thing we have seen an increase in the last few years is mice chewing on electrical wires. When you have equipment that sits during the winter months, this is a real possibility. I had a client that had a wiring harness get chewed up on his tractor and the bill to fix it was over $5000. Thankfully we had this tractor scheduled and it was covered because of special perils.

These are just a couple of examples, but the main thing to take away is that we now have the opportunity to add this expanded coverage to your entire blanket. Winter is a good time to do a review of your farm policy. Ask your agent about adding special perils to your farm blanket.

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2019 WEATHER OUTLOOK & HOW TO PROTECT YOURSELF

BRIAN O'HEARNE

In this edition, we continue our discussion of our 2019 Weather Programs that cover the entire U.S. east of the Rockies. eWeather has developed compelling weather hedge programs that should be deployed every year for extra irrigation expense for irrigated crops and water requirements for dryland crops as well as a heat at pollination hedge that combines high overnight low temperatures as well as high daytime temperatures into a Damage Degree Unit (DDU™) hedge. With these new programs, The Home Agency team has the tools you need to cover seasonal issues. Using a weather hedge to offset weather risk is an effective way to keep your overall return on investment protected and should be an essential component of your annual risk management program to help you market your crops when prices are at their highest which is early in the season when there is the greatest weather uncertainty.

Excess Irrigation Costs/Dryland Rainfall Guarantees - eWeather has all of the PRF grid points east of the Rockies priced for rainfall guarantees for three different 3-month coverage periods: 1) April-June; 2) May-July; and 3) June-August and can do any other coverage period you ask your Home Agency agent for. These rainfall guarantees are priced from 100% of normal rainfall down in 10% increments to 50% of normal rainfall. All of them pay 100% in the driest year using the PRF grid points with a daily rainfall cap of 2.5" so that any rainfall above 2.5" is not counted against the precipitation totals. The design of these rainfall guarantees is based on the premise that if you can guarantee 90 or even 100% of your normal rainfall you can produce at or above your expected APH for dryland crops and save substantially on irrigation expense for irrigated crops.

Here is an example of a May-June drought hedge for Grid 24421 south of Elwood, Nebraska. At the 100% coverage level you are effectively giving up 1 bushel of corn to guarantee an inch of rain and get paid 100% if the rainfall is less than 4.11 inches!

Start Date:	5/1/2019	End Date: 7/31/2019
Avg	10.35"	
Min	4.11"	
Coverage	$100.00	

100% of Avg	**90% of Avg**
Premium - $23.49	Premium - $21.19
Strike - 10.35"	Strike - 9.31"
Exhaust - 4.11"	Exhaust - 4.11"
Break-Even - 8.88"	Break-Even - 8.2"
Payout per Inch - $16.03	Payout per Inch - $19.23

Damage Degree Units (DDU™) - Research and experience show that crop stress begins when daytime high temperatures exceed 95°F and/or when daily overnight lows exceed 70°F with very strong negative correlations between yields and DDU™. Then, based on when the crop is planted and the actual heat units accumulated post planting, the DDU™ hedge starts when that particular seed type begins pollination and completes when that seed type completes pollination. These are at the money hedges that start paying if there are any more DDU™'s than average and pay 100% in the hottest pollination window over the last 60 years. The DDU™ hedges should be done every year to help you market your crops when prices and weather uncertainty are highest in the Spring.

Contact your insurance agent to see quotes for next year for your area and make sure to tell them the seed variety you are planning to plant. The Home Agency and eWeather will do the rest!

PAYING OFF DEB THE SNOWBALL

AL KUZMA

I find many things about my career very satisfying, but one of best is when I share a solution to someone struggling with a problem and their face lights up because “they get it”! It doesn’t happen as often as it used to, but helping a couple manage debt is extremely rewarding. I will share with you a case study from October 2017. My hope is that you can walk away from this with a nugget or two you can use or share with someone that needs some help.

I was referred to Steve and Abby (not their real names) by Steve’s mother. I had completed a Retirement Feasibility Study for her and she asked me to reach out to Steve. He was newly married, employed by local government, a member of National Guard, and he and his new bride were very concerned about their debt. The mom’s hope was for them to learn some basics early in life.

The Basics

Steve and Abby were age 34 and 33 respectively at the time. Here is what they owed:

Debt Type	Monthly Payment	Payments Remaining	Amount Owed
Medical Bills	$100	4	$400
Capital One CC	$300	14	$4,240
MasterCard	$45	20	$900
Auto Loan 1	$350	24	$8,400
Chase CC	$200	29.12	$5,823
Auto Loan 2	$222	36.14	$8,022
Student Loan	$126	126	$21,200
Mortgage	$526	204.65	$104,426

You will notice a number located between the payment and the amount owed. That number is simply dividing the payment into the principal. My procedure states you pay off lowest number first.

First thing you have to do is find a “financial hammer”. This is some amount of money that you find in your budget that will free up dollars to be used in paying down debt. For Steve and Abby, they went through their budget and identified cuts that could be made. Those totaled $100/month.

BT:
L EFFECT

So, here's what happened:

1. $100/month-hammer + $100 Medical Bills=$200.
   a. Medical Bills paid off in 2 months.
2. $200 from medical bills + $300 Capital One Credit Card= $500.
   a. In 8.5 months, Capital One is paid off (note interest rate was 18%).
      i. Process has taken 10.5 months total thus far.
3. $500 from step 2 + $45/MasterCard (whose balance is now $491) = $545.
   a. In one month, MasterCard is paid off.
      i. Process has taken 11.5 months total thus far.
4. $545 from step 3 + $350/Auto Loan 1 ($4,188 remains of car payment) = $895.
   a. Auto Loan 1 paid off in 4.68 months.
      i. Process has taken 16 months total thus far.
5. $895 from step 4 + $200/Chase Credit Card (whose balance is now $3, 166) = $1,095.
   a. Chase Credit Card paid off in 3 months.
      i. Process has taken 19 months total thus far.
6. $1,095 from step 5 + $222/Auto Loan 2 ($4,200 remains of car payment) = $1,317
   a. Auto Loan 2 paid off in 3.2 months.
      i. Process has taken 22.25 months total thus far.
7. $1,317 from step 6 + $126/Student Loan = $1,443.
   a. Student Loan paid off in 12 months.
      i. Process has taken 34. 25 months total thus far.
8. $1,443 from step 7 + $526/Mortgage ($97,862 remaining) = $1,969.
   a. Mortgage paid off in 54 months.
      i. Process has taken 88 months total.

So, in 7.5 years this couple went from two car loans, three credit cards, medical bills, a significant student loan and a mortgage to being debt free. Will there be hiccups and setbacks? Absolutely. I wish you could have seen their faces and heard their excited comments as they did the math and started to dream again!

If debt is an issue for you, consider this technique—it works well! Until next time, God Bless.

Alan E. Kuzma, *CLU ChFC,*
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