

Tree Fruit Insurance Example

Example: Apples

Average Insurable Yield = 400,000 lbs.

Selected Coverage Level = 80%

Unit Price = 20¢ per pound

Premium Rate = 5.65%

Harvested Yield = 200,000 lbs.

Production Guarantee

= 400,000 lbs. X 80%

= 320,000 lbs.

Premium Costs

\$ Coverage = 320,000 lbs x \$0.20/lb
= \$64,000

Total Premium Cost = \$64,000 x 5.65%
= \$3,616.00

Producer Cost = \$3,616.00 x 40%
= \$1,446.40

Claim Example

Yield Deficit = 320,000 lbs - 200,000 lbs.
= 120,000 lbs.

Claim Amount = 120,000 lbs x \$0.20/lb
= \$24,000

