

## PRF Glossary and Formulas

**Interval Percent** – The percent of the total protection that goes towards this Interval. No interval can be less than 10% or more than 60%.

**Premium Rate** – Premium rate is the premium price per \$100 of protection. The value is set by RMA and used to calculate your premium for the given interval and coverage level and grid. Different intervals, coverage levels, and grids result in different premium rates.

**Total Premium per interval** =  $(\text{Premium Rate} * \text{Interval Percent} * \text{Dollar Protection})/100$

**Subsidy** – The amount of the premium subsidized through RMA

**Producer Premium** – The amount of the premium the producer is responsible for

**Indemnity** =  $(\text{Payment Factor} * \text{Dollar Protection})$ . The amount paid out when the rainfall index falls below the coverage level.

**Return** =  $\text{Producer Premium} - \text{Indemnity}$

**Index Value** – Rainfall index (i.e the percent of normal) for the given grid/interval

**Payment Factor** –  $(\text{Coverage Level} - \text{Index Value})/\text{Coverage Level}$ . Used to calculate the indemnity.