



How Quality Factoring Works

Feature Sheet

Production Insurance customers report yields every year. Their yield history is used as a benchmark to determine if actual production is below average. A claim is paid if the final yield falls below a customer's guaranteed average.

When winter and spring wheat yields are reported, a factor is automatically applied to any lower-grade crop, reducing the yield to reflect its lower value. The factored yield is used only for claim purposes. The unfactored yield is applied to the account history for insurance purposes.

Agricorp uses the following factors for winter and spring wheat

Crop	Grade 1	Grade 2	Grade 3	Feed
Winter wheat	0%	0%	10%	20%
Spring wheat	0%	0%	0%	30%

Example: Smith Farms has the following yield for winter wheat

Grade	Harvested yield	Factor	Factored yield
1	7,500 bu	0%	7,500 bu
2	5,000 bu	0%	5,000 bu
3	10,000 bu	10%	9,000 bu
Feed	4,500 bu	20%	3,600 bu
Total harvested yield: 27,000 bu		Total factored yield: 25,100 bu	

If Smith Farm's Production Insurance coverage guarantees a yield of 28,000 bu, their claim would be increased to 2,900 bu from 1,000 bu to reflect the lower value of the grade 3 and feed grade portions of the crop.

Errors and omissions excepted.

Agricorp reserves the right to make corrections if there are any errors or omissions on this feature sheet. For specific legal obligations of Production Insurance, consult the *Contract of Insurance: General Terms*. For details on the collection of information and treatment of records, refer to Section E of the *General Terms*.

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