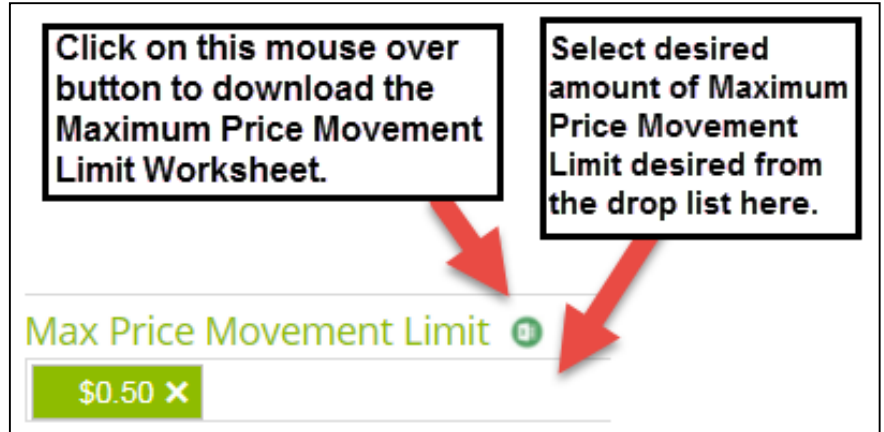


RPowerD™ - Maximum Price Movement

August 21, 2018

RPowerD's "**Maximum Price Movement Limit**" is defined as the maximum amount the RPowerD Price can exceed the underlying RP policy's "Projected Price." Choosing a large enough amount of **Maximum Price Movement Limit** is important because regardless of the RPowerD "Market Price" selected or the highest "Alternative Price Discovery Period" interval average price, the RPowerD price used in the minimum revenue equation can not exceed RP Projected Price + RPowerD Maximum Price Movement Limit amount. Maximum Price Movement Limit establishes policy liability. Each estimate requires the selection of a Maximum Price Movement Limit.

There is an interactive worksheet available to help agents determine how much Maximum Price Movement limit to select from the dropdown in the RPowerD Estimator. Maximum Price Movement Limit will be the same for both Irrigated and Non-Irrigated Practices.



Example:

Let's say I establish a \$4.20 RPowerD "Market Price" for corn. When purchasing this RPowerD policy, I select \$0.50 of Maximum Price Movement Limit.

Then the Projected Price ends up being established by the February Average at \$3.50.

Since I limited my Maximum liability to \$0.50 over the Projected Price, my RPowerD Price will be \$4.00, not the \$4.20 price I wanted. ($\$3.50 \text{ Projected Price} + \$0.50 \text{ Maximum Price Movement Limit} = \$4.00 \text{ Maximum RPowerD Price}$). If I had chosen \$0.70 of Maximum Price Movement Limit, I could have used \$4.20 in the calculation of my RPowerD Revenue Trigger instead of \$4.00. Of course, a policy with a possibility of \$0.70 per bushel of liability will cost a little more than a policy with a \$0.50 liability. How much more will depend on the volatility of the market when the RPowerD estimate is created. In the current low volatility environment the premium difference is much less than it would be in a high volatility environment.

The simplest way to help a producer choose an appropriate amount of liability is to ask the questions on the [RPowerD Post Card](#) or to open the Maximum Price Movement Worksheet in the Estimator as shown above, both ask the same questions.

Example:

- What is the highest RPowerD Price you anticipate from the selections you have made?
- What is your estimate of the lowest price we could see for the February Average?
- Subtract #2 from #1.
- This would be the amount of Maximum Price Movement to use.

ie: \$4.50
- ie: \$3.70
=: \$0.80

Although a producer can add Intervals, increase Market Price selected, add or raise Additional Price Coverage (APC) until the RPowerD SCD, once the Maximum Price Movement Limit is selected, it can not be amended. If an APC™ amount is the only pricing alternative selected, the Maximum Price Movement Limit will default to the APC amount chosen.

Learn, analyze, and quote RPowerD at www.agentevantage.com.

View previous RPowerD newsletters on the [NAU Country website](#).



NAU Country Insurance Company Corporate office
Phone: 763.427.3770
Toll Free: 800.942.6557

