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### Understanding the Standard Reinsurance Agreement, Explains Crop Insurance Companies' Losses<sup>1,2</sup>

There are a number of press stories that will likely overestimate the size of this year's crop insurance claims and the resulting cost to taxpayers.<sup>3,4,5</sup> Then these

<sup>2</sup>A special thanks to Dr. Keith H. Coble, Giles Distinguished Professor, Department of Agricultural Economics, Mississippi State University for his review and comments on this paper. Any errors in the paper remain those of the author.

<sup>3</sup> Sara Sciammacco, "Policy Plate: Taxpayers on the Hook for Huge Payouts", <u>Environmental Working Group</u>, July 23, 2012. Iowa Farm Bureau President Craig Hill was quoted as saying, "This just isn't business as usual when you zero out corn fields insured for \$700 or \$800 an acre. I will be shocked if the payouts are only \$40 billion." Link: http://www.ewg.org/agmag/2012/07/policy-platetaxpayers-on-the-hook-for-huge-payouts/

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critics overstate their case by assuming that taxpayers will cover all or most of the 2012 underwriting losses and the Approved Insurance Providers (AIPs, is the Risk Management Agency's (RMA) name for insurance companies) will pay "little" of the loss.<sup>6</sup> Is there any evidence to support the argument that taxpayers will cover nearly all of the costs of the 2012 drought? Before one can say anything about the government's crop insurance underwriting losses, one will need to understand the Standard Reinsurance Agreement (SRA) that determines the loss/gain shares between the government and AIPs.

The SRA will determine the dollar amount of underwriting losses paid by each AIP. Those press statements claiming the government will pay all of the underwriting losses is a near impossibility. The SRA loss/gain shares are by company, so there is a possibility of an outlier, but an aggregate crop insurance industry underwriting loss is expected.

Soybean yields have been better than expected and prices have fallen during the month of October causing final indemnities to decline in the Corn Belt.<sup>7</sup> The

<sup>4</sup>Farm Gate Blog.com, "Crop Insurance: Irony And Impact In 2012", July 16, 2012. "While economist Bruce Babcock at Iowa State University used the non-academic term "ginormous", he defined it as being in the neighborhood of \$30-\$40 billion dollars in a payout to farmers. Unfortunately, the estimates are published in a "newspaper column", not in an academic paper or report." Link: http://www.farmgateblog.com/article/1641/crop-insurance-irony-and-impact-in-2012

<sup>5</sup>Rachel Cleetus, Senior Climate Economist, "The Enormous Costs of the 2012 Drought to American Farmers and Taxpayers", <u>The Equation - a blog on</u> <u>Independent Science + Practical Solutions</u>, July 25, 2012. "Last year, weatherrelated events led to crop insurance claims of \$10.7 billion as of April 30, 2012. According to Bruce Babcock, a professor of economics at Iowa State University, this year's losses could add up to \$30 to \$40 billion." Link: http://blog.ucsusa.org/the-enormous-costs-of-the-2012-drought-to-americanfarmers-and-taxpayers/

<sup>6</sup>Bolinski, Jayette, "IL: Crop insurance leaves taxpayers with bill for lingering drought", <u>Illinois Watchdog.org</u>, July 25, 2012. Craig Cox, Senior Vice President of the Environmental Working Group, which tracks farm subsidies stated, "we're growing more and more concerned about who is this program being designed to benefit – crop insurers and farmers, but certainly not taxpayers." "Taxpayers, not the crop insurance company that sold the policy, are on the hook for most of the payout when a farmer suffers a loss." Link: http://watchdog.org/44966/il-drought-could-lead-to-record-crop-insurance-payments/

change in these critical variables will lower many of the forecasted underwriting losses that were published in August. However, there is near total agreement that the 2012 loss ratio in many Corn Belt states will exceed all prior years but the 1988 drought loss ratio.<sup>8</sup> The dollar amount of underwriting losses will exceed 1988, even with a lower loss ratio because the number of insured farmers has greatly increased. The other factor is the historical crop insurance values are in normal dollars.

The focus of this paper is to explain the Standard Reinsurance Agreement that determines the amount of underwriting gains/losses shared between each AIP and the Federal Crop Insurance Corporation (FCIC).<sup>9</sup> Understanding the SRA will help the reader understand how the AIP's share of the underwriting losses will be determined.

Some of the confusion over underwriting gains/losses is the RMA's definition. RMA defines underwriting gain/loss as the difference between premiums and claims. Private insurance would identify this difference as gross premium margin, not underwriting gain. In the private sector, underwriting gains are determined based on premiums minus claims, minus loss adjustment expense, minus marketing and commission expense, minus reinsurance premiums, and minus the company operating expense equals underwriting gain or loss. They then add in investment income, if any, less taxes and the difference is profit. Often Washington policy makers will refer to underwriting gains as "profit" and that is clearly not correct because profit can only be generated after all costs are covered. However, the author will use RMA's term "underwriting gain" to describe gross margin to maintain consistency with other publications. A detailed

<sup>7</sup>States south of Kansas use different monthly average futures prices to settle claims and in some cases they use different futures contracts than November soybeans and December corn. Base prices and claim settlement prices are located on the RMA website at:

http://www3.rma.usda.gov/apps/pricediscoveryweb/DailyPrices.aspx

<sup>8</sup>Loss Ratio defined by the SRA is the "ratio calculated by dividing the ultimate net loss by the net book premium, expressed as a percentage. For example, if \$1 ultimate net loss is paid and 50 cents net book premium is received, this would be expressed as a 200 percent loss ratio". Often authors will quote the loss ratio as a decimal and not convert the value to a percentage, leaving it at 0.20. Private insurance will calculate the loss ratio as dollars of claims per \$100 of premium, and express the loss ratio in whole numbers, i.e. 200 in this example. Source: http://www.rma.usda.gov/pubs/ra/sraarchives/13sra.pdf

<sup>9</sup>RMA uses the Federal Crop Insurance Corporation (FCIC) as their corporate vehicle to retain premiums and pay the government's share of losses. Most farmers probably don't realize the FCIC still exists. The RMA administers the program.

accounting of the AIPs and government's gains and losses are provided in a paper by Collins and Schnapp.<sup>10</sup>

The government is a reinsurer contracted through the FCIC, but the government also pays an administrative and operating (A&O) expense to the AIPs that mostly pays agent commissions and a share of the "pure" premium that is referred to as subsidy. When there is an underwriting gain, then government retains a share of the gain, and the government's actual share of the premium paid is less than reported and officially counted in the Federal budget.

Effectively the RMA under-spends their budget in gain years, but there is no credit given for their reduced spending in the Federal budget. If FCIC were a private insurance company, then in the good years some of those underwriting gains would have been retained for future claims.

With any insurance program, the premiums pay the losses first. Only when claims exceed the premiums and expenses do insurance companies pay the losses from their assets, or the reinsurer pays a share of the loss from their assets. Because FCIC is a reinsurer for subsidized crop insurance, FCIC will pay a share of the crop insurance underwriting losses in addition to private reinsurance and the AIPs.

<u>Standard Reinsurance Agreement.</u> Nearly everyone agrees there will be underwriting losses in 2012 as the Corn Belt suffered it worst drought since 1988. In press statements and published papers, some analysts have suggested that taxpayers will pay all claims. While the taxpayer cost will be "high", this omits some of the losses will be paid by farmer paid premiums and assumes the AIPs will not have an aggregated underwriting loss.

The most recent SRA was applied to the 2011 crop year and will apply in future years until a new SRA is negotiated. The new SRA included many changes that will determine loss/gain shares between the AIPs and FCIC, but the following were the major items:

- 1. The new SRA capped the Administrative and Operating (A&O) "expenses" to about \$1.3 billion and that effectively requires insurance agents' commissions to be prorated.
- 2. A company's full A&O cannot be paid to agents in a state unless the company has an underwriting gain nationally. They cannot pay more than the state's A&O where the agents wrote policies. Effectively companies cannot move A&O dollars across state lines.

<sup>&</sup>lt;sup>10</sup> Keith Collins and Frank Schnapp, "Explaining the Costs of the Crop Insurance Program", <u>Crop Insurance Today</u>, Vol. 45:No. 1; pp 4-11, February 2012.

- 3. There is a 75% cap on the share of a state's premium and risk that an AIP can place in the assigned risk pool.
- 4. AIPs must retain 20% of their assigned risk premium and claims in a state.
- 5. Companies cannot cede more than 35% of their commercial pool premium in a state to FCIC.<sup>11</sup> Most companies retain nearly all of their commercial premium pool, so they are nowhere near the maximum.<sup>12</sup>
- 6. The new SRA eliminated the developmental pool, leaving the commercial and assigned risk insurance pools only.
- SRA created three state groups of reinsurance coverage. State group 1 covers Iowa, Illinois, Indiana, Minnesota and Nebraska. In 2011, those 5 states generated over \$4 billion in premium and represented over 34% of the total national premium.<sup>13</sup> The rest of the states are in state groups 2 and 3.
- 8. State group 2 covers Alabama, Arizona, Arkansas, California, Colorado, Florida, Georgia, Idaho, Kansas, Kentucky, Louisiana, Michigan, Missouri, Mississippi, Montana, North Carolina, North Dakota, New Mexico, Ohio, Oklahoma, Oregon, South Carolina, South Dakota, Tennessee, Texas, Virginia, Washington, and Wisconsin.
- 9. State group 3 covers Alaska, Connecticut, Delaware, Hawaii, Maine, Massachusetts, Maryland, Nevada, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Utah, Vermont, West Virginia, and Wyoming.
- 10. After all underwriting gains and losses are aggregated at the national level, RMA requires AIPs to cede 6.5% of their gains/losses. This is effectively an FCIC quota share on the AIP's national book of business.

- <sup>12</sup>Source: RMA's Reinsurance Reports at: http://www3.rma.usda.gov/apps/reins\_public/
- <sup>13</sup>Source: RMA website at: http://www.rma.usda.gov/data/sob.html

<sup>&</sup>lt;sup>11</sup> When a company cedes premium to FCIC, they give the entire premium and risk to FCIC on that share. The AIP is allowed to select individual farm contracts by crop, by state, to place in either assigned risk or the commercial pool. But when an AIP cedes premium, it is a percentage of their entire assigned risk or commercial pool for a state.

11. If FCIC generates an underwriting gain for the government then some of that gain is paid to the AIPs.<sup>14</sup>

<u>All Farmers are Entitled to Insurance Coverage.</u> RMA sets the underwriting rules and premium rates and AIPs must accept all farmers for coverage, even if the AIP believes there is an underwriting problem or the rate is not sufficient. Therefore, the AIP is allowed to place an individual farmer's policy (it is by crop) in the assigned risk pool or the commercial pool. In the AIP's underwriting opinion, if the farmer's coverage for a specific crop is underrated or needs additional underwriting rules or rule changes, they will place the policy in assigned risk. Those contracts the AIP thinks are good insurance bets will be placed in the commercial pool.

In the private insurance market, the AIP sets the underwriting rules and premium rates. As a result they retain all of the premium plus underwriting risk, but consumers receive no premium subsidy. However, underwriting rules and premium rates for private policies require the State Insurance Commissioner to approve the policy. The Federal crop insurance contracts are not subject to state approval.

An AIP limits its losses on polices in the assigned risk pool because the FCIC takes a larger share of the loss, but they also take a larger share of any underwriting gain. As a result, AIPs generally cede very little of the premium in the commercial pool. Companies are required to retain 20% of the premium and risk in the assigned risk pool. Effectively companies can only make positive returns on the commercial pool, and AIPs lose money on the assigned risk pool in most years.<sup>15</sup>

<sup>15</sup> Source: 2013 Standard Reinsurance Agreement between the Federal Crop Insurance Corporation and the Company, on the RMA website at: <u>http://www.rma.usda.gov/pubs/ra/sraarchives/13sra.pdf</u>; "The Company shall retain a 20 percent interest in premium and associated ultimate net losses in the Assigned Risk Fund in each State. The remainder is ceded to FCIC."

<sup>&</sup>lt;sup>14</sup>Source: 2013 Standard Reinsurance Agreement between the Federal Crop Insurance Corporation and the Company, on the RMA website at: http://www.rma.usda.gov/pubs/ra/sraarchives/13sra.pdf "If the sum of all AIPs Net Book Quota Share, results in a net underwriting gain to be paid to FCIC for the reinsurance year, i.e. FCIC has an underwriting gain, it will be disbursed to the AIP as a payment equal to the product of the following: The ratio of the AIP's total net book premium for additional coverage eligible crop insurance contracts for all funds in State Group 3 relative to total net book premium for additional coverage eligible crop insurance contracts of all AIPs for all funds in State Group 3 times 1.5 percent of the sum of all underwriting gains and losses for all AIPs for the reinsurance year."

<u>AIP Gain/loss Shares are by insurance layer.</u> For group 1 states, like lowa, most AIPs will place most of their contracts in the commercial pool versus the assigned risk pool. They will then share the losses/gains based on the AIP's retained premium and risk with FCIC based on the layers of coverage in table 1. An individual AIP's state loss ratio determines the share of the AIP's gain/loss. The loss ratio that determines the AIP percent share of the underwriting results is based on their entire state book of insurance, i.e. it is the combined loss ratio for all crops and all contracts for the state.

This effectively means that if a state has 16 AIPs selling coverage, there are 16 different company outcomes under the SRA. Each company will likely put a different share of their contracts in the assigned risk pool, they will cede different amounts of premiums, and their insurance book will have a different loss ratio. They don't, but if all 16 AIPs wrote coverage in 50 states then effectively there would be 800 different SRA results.

An AIP with a 65 percent loss ratio on a million dollars of retained premium in lowa would retain 75% of the first \$350,000 of gain (35% X premium). The AIP would earn \$262,500 and FCIC would gain \$87,500. The AIP would retain 40% of the second layer with a loss ratio equal to 50 percent for a second layer of gain equal to \$150,000 (15% X premium) in our example in Table 1. The AIP would earn \$262,500 in layer 1, plus \$60,000 in layer 2 and FCIC would gain \$87,500 plus \$90,000 (Table 1).

If the AIP had a zero loss ratio, then the AIP only earns 5% of the bottom end of the gain. The AIP would retain 5% of the third layer of gain equal to \$500,000 of gain (50% X premium) in the example in Table 1. The AIP would earn \$262,500 plus \$60,000, plus \$25,000 on the bottom layer and FCIC would gain \$87,500, plus \$90 000, plus \$475,000 (Table 1).<sup>16</sup>

If there is an underwriting loss, then the first layer of loss based on a 160 percent loss ratio would be \$600,000 per million dollars of retained premium in the commercial pool for a group 1 state. The AIP would pay 65% of the \$600,000 underwriting loss or \$390,000 and the remainder would be paid by FCIC. The AIP pays 45% of the next \$600,000 of loss on a retained million dollars of premium. The AIP with a 220 percent loss ratio would pay \$390,000 plus

<sup>&</sup>lt;sup>16</sup> This amount has not been adjusted for the 6.5% quota share based on the company's national book of business. Source: 2013 Standard Reinsurance Agreement between the Federal Crop Insurance Corporation and the Company, on the RMA website at: http://www.rma.usda.gov/pubs/ra/sraarchives/13sra.pdf "The Company's cumulative underwriting gain or loss shall be determined by summing the net underwriting gains or losses for all States for the Commercial and Assigned Risk Funds. The Company shall cede to FCIC 6.5 percent of its cumulative underwriting gain or loss calculated."

\$270,000 or 55% of the \$1.2 million dollar underwriting loss. The next layer with a loss ratio between 220 percent and 500 percent, the AIP pays 10% of the loss and above a \$4 million underwriting loss (loss ratio over 500 percent), the FCIC pays all of the additional loss (Table 1).

It is rare for a group 1 state to have a loss ratio over 220 percent, so the largest share of the losses in most years would be paid by the AIPs in a group 1 state (Table 2). Iowa had a loss ratio over 220 percent in 1993. Even with this disaster year and a 1988 disaster year, Iowa farmers paid premiums nearly exceeded the indemnity payments over the past 24 years (Table 3). However, the losses in 2012 will wipe a "significant" amount of the prior years' underwriting gains.

Assuming lowa's 2012 loss ratio is below 220 percent, then one would expect the AIPs to be hit "hard" this year in Iowa. That level of loss would generate over a billion dollars in underwriting losses in Iowa. A similar level of underwriting losses is expected in Indiana, but the AIPs will pay a smaller share of the loss for Indiana because of a higher expected loss ratio (Table 4). Assuming the loss ratio is over 400 percent, the AIPs only pay 10% of the last layer of loss while paying 55% or more of the claim with a loss ratio under 220 percent.<sup>17</sup> Therefore, even with similar dollar amount of underwriting losses, the AIP losses will likely be larger in Iowa because of the greater premium volume and the AIPs paying a larger percentage share of the lowa loss. Because of a smaller Indiana premium volume, it requires a higher loss ratio for Indiana underwriting losses to exceed a billion dollars.

**Example of a Maximum AIP Gain.** While impossible, (possible only in theory or in a very small state with limited sales) if an AIP had a state zero loss ratio; i.e. no claims paid in a state from the commercial pool, and the AIP retained a million dollars of premium then the AIP's share of the gain would be \$347,500 or 34.75% of the premium and FCIC would retain \$652,500 or 65.25%. If the \$347,500 was also the company's total net underwriting gain, then they would have to cede an additional quota share of 6.5% to FCIC or \$22,578 making the AIP's net gain equal to \$324,912 and FCIC would net \$675,078 or 67.51% of the premium.

In this example, the government has an underwriting gain of \$675,078, but the government also paid a share of the premium. Yes, but not the entire premium. Iowa farmers in 2011 paid 43% of the premium.<sup>18</sup> So in the above example on

<sup>&</sup>lt;sup>17</sup> The author has published no state level estimated underwriting losses, but private estimated lowa loss ratios are under 220 percent and an Indiana loss ratio is over 300 percent seem reasonable based on USDA crop reports. However, within a state an AIP's loss ratio will vary and it is the individual AIP's loss ratio and not the state average loss ratio that determines the payment shares.

<sup>&</sup>lt;sup>18</sup> Source: RMA website at: http://www.rma.usda.gov/data/sob.html

an average book, Iowa farmers paid 43% of the premium or \$430,000 and that exceeds the amount of gain earned by the AIPs, so the government earns back their entire Iowa premium subsidy plus a net gain of \$245,078.

**Is a state loss ratio that low realistic?** For the 23 years prior to 2012, farmer paid premiums in Illinois on all crops and insurance contract types exceeded the claims, meaning in the aggregate, Illinois farmers netted none of the subsidy. That was also nearly true for lowa, but it is possible the 2012 underwriting losses may wipe out all of the underwriting gains (includes farmer paid and FCIC paid premiums) for the past 23 years in Illinois, i.e. Illinois farmers may net all 23 years of subsidy in 2012. This would require an Illinois loss ratio of 400 percent.

There were 11 out of the 23 years when the all crop lowa state loss ratio was below 35 percent and one year at 7 percent (Table 2). Clearly, the lowa loss ratio has approached zero and after an AIP cedes part of its assigned risk premium, then an AIP's state loss ratio could be lower than the 7 percent state average loss ratio reported before the SRA adjustment by RMA. Remember RMA publishes a state average loss ratio before the SRA, but the SRA is based on the loss ratio of each individual company, so likely there would be at least one company below 7 percent because the 7 percent was a state average loss ratio.

#### What would a Group 1 State split be on a 35 percent loss ratio per \$million

**of premium?** Before the 6.5% quota share, the AIP would have a gain of \$330,000 and FCIC would gain \$320,000 (Table 5). The state group 2 and 3 states and the assigned risk pool have a similar layering of coverage, but percentage shares change. This was done because the group 2 and 3 states are less likely to have a gain and more likely to have a loss than a group 1 state. This makes it more profitable for a company to write coverage in the higher risk states. Under the current SRA, it may be possible for an AIP to generate net gains per dollar of premium in Kansas similar to Iowa. The AIP has the least to gain or to loose in the assigned pool. However, there is very little profit potential for the AIP in the assigned risk.

AIPs don't write premium checks to FCIC for reinsurance, but effectively the AIPs do pay reinsurance premiums. In the private reinsurance markets, an insurance company would pay premium to the private reinsurer but they would retain the underwriting gain or at least their quota share. FCIC takes 95% of the underwriting gains for additional gains generated from loss ratios below 50%. There would be and has been criticism of AIPs receiving "windfall profits" in these low loss ratio years. In a private reinsurance market, the AIP would have a much larger underwriting gain in those years. However, in years with loss ratios over 220 percent the FCIC pays most of the losses above a 220 percent loss ratio, and limits the AIPs losses. Logic would say if the gains from loss ratios below 50 percent are "windfall profits" then losses from loss ratios above 220 percent are "windfall profits" then losses from loss ratios above 220 percent are "windfall profits" then losses from loss ratios above 220 percent are

with private reinsurance, it is really "expensive" in the low loss ratio years and really "cheap" in the high loss ratio years.

**Is it possible for a company to have a 2012 underwriting gain?** It should be clear why it is not possible to estimate the size of the payments that AIPs will make versus the FCIC on the 2012 drought because of the SRA's complexities. So let's assume, a hypothetical company that only writes in two group 1 states that has a loss ratio of 40 percent in one state and 500 percent in the second state. There is no such company that writes in just two states, but some companies have heavier concentration of their business in the Corn Belt.

If the hypothetical company has \$30 million of retained premium in state number 1 where the loss ratio is expected to be about 40 percent, then the company would have a \$9.825 million gain. If the same company has retained \$10 million in premium from the second state where the loss ratio is expected to be about 500 percent, then the company would have a \$9.4 million loss. The company, assuming they write coverage in only two states, would then have a national gain of \$425,000 and the AIP would pass \$27,625 for the 6.5% quota share to FCIC and generated a net AIP gain of \$397,375.

But, suppose the reverse were true with sales concentrated in the second state with a high loss ratio. The company retains \$30 million of premium in the high loss ratio state and \$10 million in the low loss ratio state. The company would gain \$3.275 million in the low loss ratio state, but looses \$28.2 million in the high loss ratio state. The company's underwriting loss is \$24.925 million. Of course, the company is happy to pass a 6.5% quota share to the FCIC with a national underwriting loss. The 6.5% quota share would reduce the company's losses by \$1.62 million and the company's net underwriting loss is over \$23.3 million.

This simple example was used to show how it is possible for a company to have an underwriting gain in 2012. An AIP's gain/loss depends on their individual state loss ratio and their concentration of business in the states with large losses, especially in the group 1 states. For simplicity, the author did not include the assigned risk pool and assumed it was a 2 state company with their entire premium in the commercial pool. While in the Corn Belt, it is common for companies to put more than 95% of their premium in the commercial pool. All of the companies write in more than two states.

**Summary.** It would not be a surprise if one of the AIPs has an underwriting gain in 2012. However it is expected AIPs' aggregated losses/gains will generate an underwriting loss and pay some of the cost to cover the national underwriting loss that is expected in 2012.

Private forecast have the Minnesota expected loss ratio under 40% and Indiana under 400%, so this case is possible. Private estimates of Iowa losses are now under 200%. They have estimated the national loss ratio under 175% and may

be approaching 150%. That would generate an underwriting loss approaching \$5-\$6 billion, far below the author's estimate of \$15 billion, and nowhere near some of the estimates that were over \$30 billion. Better than expected soybean yields and lower prices are driving the loss forecasts lower. If these lower private estimated loss ratios turn out be correct, then it increases the odds that at least one company will have a 2012 underwriting gain.

Companies with sales concentrated in Iowa, Illinois and Indiana will not fare as well as those companies with sales concentrated in Minnesota and North Dakota. Companies will likely have their largest losses in Iowa because the loss ratio is expected be under 220 percent where AIPs pay up to 65% of the underwriting loss and a premium total that is near \$900 million. By contrast, Indiana generated about \$5.6 million in premium and the loss ratio is expected to be above 220 percent. Most of the losses above a 220 percent loss ratio are paid by FCIC so the AIP's percent share increases only marginally but on a much smaller premium volume. Because this loss year affected so many states, it is expected that the aggregated AIPs gains and losses will generate a 2012 aggregated AIP underwriting loss and AIPs will pay some of the national underwriting loss in 2012.

Without the assigned risk pool, it would be nearly impossible for any AIP to generate a 2012 underwriting gain. However, under current rating and underwriting rules the program simply will not work without the assigned risk pool.

Table 1. Calculation of the Approved Insurance Provider (AIP) and Federal Crop Insurance Corporation (FCIC) Underwriting Gain/Loss for a Group 1 State under the 2011 Standard Reinsurance Agreement (SRA), Assuming \$1 Million of Retained Premium in the Commercial Pool

Insur- ance	Company State Group 1 Loss Ratio	- 0.	.00	<b>0</b> .	50
Layer		AIP	FCIC	AIP	FCIC
3rd	\$1 million X 50% (0.50-0.00 loss ratio)= \$500,000 X 5% =	25,000	475,000		
2nd	\$1 million X 15% (0.65-0.50 loss ratio)= \$150,000 X 40% =	60,000	90,000	60,000	90,000
1st	\$1 million X 35% (1.00-0.65 loss ratio)= \$350,000 X 75% =	262,500	87,500	262,500	87,500
	Underwriting Gain with a Zero Loss				
	Ratio and a 0.50 Loss Ratio	347,500	652,500	322,500	177,500
	Company State Group 1 Loss Ratio	5.	.00	2.2	20
		AIP	FCIC	AIP	FCIC
1st	\$ 1 million X 60% (1.60-1.00 loss ratio)= \$600,000 X 65% =	(390,000)	(210,000)	(390,000)	(210,000)
2nd	\$1 million X 60% (2.20-1.60 loss ratio)= \$600,000 X 45% =	(270,000)	(330,000)	(270,000)	(330,000)
3rd	\$1 million X 220% (5.00-2.20 loss ratio)= \$2.8 million X 10% =	(280,000)	(2,520,000)		
	Underwriting Loss with a 5.00 Loss				
	Ratio and a 2.20 Loss Ratio	(940,000)	(3,060,000)	(660,000)	(540,000)

Year	Illinois	Indiana	lowa	Minnesota	Nebraska
2011	44%	58%	29%	53%	35%
2010	58%	35%	59%	15%	34%
2009	30%	25%	23%	24%	28%
2008	66%	117%	120%	82%	61%
2007	21%	37%	15%	45%	19%
2006	10%	18%	16%	27%	44%
2005	77%	24%	23%	47%	32%
2004	38%	58%	31%	103%	51%
2003	65%	89%	94%	61%	79%
2002	82%	139%	25%	54%	201%
2001	26%	17%	66%	91%	40%
2000	32%	37%	45%	44%	132%
1999	42%	84%	36%	67%	43%
1998	46%	86%	55%	36%	34%
1997	23%	71%	10%	45%	40%
1996	61%	107%	31%	26%	48%
1995	69%	91%	80%	60%	105%
1994	12%	21%	7%	90%	42%
1993	63%	55%	465%	610%	188%
1992	37%	55%	19%	79%	154%
1991	224%	271%	71%	84%	78%
1990	54%	63%	42%	39%	49%
1989	84%	65%	73%	47%	143%

## Table 2. State Aggregate Loss Ratio by Year for Group 1 SRA States

Pol Farn			Total		% of Premium			1.055	Farmer
Prem	Net Acres		Premium	Subsidv	Paid by	Indemnity	Loss/Gain	Ratio	Ratio
(000)	(000)	Liabilities (000)	(000)	(000)	Farmers	(000)	(000)	(000)	(000)
69	6,392	930,745	36,486	8,217	77.5%	135,891	(99,405)	3.72	4.81
162	14,584	2,703,331	114,707	24,954	78.2%	84,039	30,668	0.73	0.94
130	12,060	2,030,814	84,459	18,828	77.7%	35,613	48,845	0.42	0.54
100	9,561	1,595,765	69,093	15,979	76.9%	48,768	20,325	0.71	0.92
95	9,548	1,612,002	69,802	16,073	77.0%	12,991	56,811	0.19	0.24
88	8,776	1,521,216	62,710	14,584	76.7%	291,860	(229,150)	4.65	6.06
115	12,063	2,066,653	90,200	21,496	76.2%	6,566	83,634	0.07	0.10
192	19,799	2,626,626	106,030	46,184	56.4%	84,949	21,081	0.80	1.42
174	19,420	3,570,283	169,676	59,620	64.9%	51,950	117,727	0.31	0.47
155	18,045	3,123,449	140,592	49,662	64.7%	14,278	126,314	0.10	0.16
150	18,218	3,387,353	153,078	52,871	65.5%	84,387	68,692	0.55	0.84
148	18,727	3,193,846	170,692	46,677	72.7%	61,794	108,898	0.36	0.50
150	19,425	3,691,395	212,131	44,678	78.9%	95,124	117,007	0.45	0.57
143	19,321	3,676,751	230,203	123,684	46.3%	152,369	77,834	0.66	1.43
138	19,367	3,714,733	225,646	119,940	46.8%	56,008	169,638	0.25	0.53
133	19,437	4,044,211	251,919	134,958	46.4%	237,113	14,805	0.94	2.03
130	19,726	5,076,235	354,512	190,828	46.2%	109,403	245,109	0.31	0.67
127	19,909	4,513,762	310,529	166,447	46.4%	72,791	237,738	0.23	0.51
126	20,174	5,290,935	366,717	195,846	46.6%	58,339	308,377	0.16	0.34
122	20,261	8,291,718	600,196	321,181	46.5%	90,599	509,598	0.15	0.32
124	20,602	11,656,185	914,505	491,035	46.3%	1,096,349	(181,844)	1.20	2.59
127	21,046	9,169,690	743,754	423,555	43.1%	168,569	575,185	0.23	0.53
124	21,144	9,340,516	592,401	341,493	42.4%	350,760	241,641	0.59	1.40
125	21,470	14,681,052	1,030,668	586,974	43.0%	295,459	735,209	0.29	0.67
126	21,318	14,678,264	886,272	511,252	42.3%	1,949,798	(1,063,526)	2.20	5.20
0 2011	409,078	111,509,266	7,100,706	3,515,765		3,695,970	3,404,736	0.52	1.03
History	430,396	126,187,530	7,986,978	4,027,017	49.6%	5,645,768	2,341,210	0.71	1.43
	Pol Earn Prem (000) 69 162 130 100 95 88 115 192 174 155 150 148 150 143 138 130 127 126 122 124 127 124 127 124 125 126 0 2011 2012 + History	Pol Earn Prem         Net Acres (000)           69         6,392           162         14,584           130         12,060           100         9,561           95         9,548           88         8,776           115         12,063           192         19,799           174         19,420           155         18,045           150         18,218           143         19,321           138         19,367           130         19,726           127         19,909           126         20,174           122         20,261           124         20,602           127         1,946           124         21,046           125         21,470           126         21,318           0 2011         409,078           2012 +         History         430,396	Pol Earn Prem         Net Acres (000)         Liabilities (000)           69         6,392         930,745           162         14,584         2,703,331           130         12,060         2,030,814           100         9,561         1,595,765           95         9,548         1,612,002           88         8,776         1,521,216           115         12,063         2,066,653           192         19,799         2,626,626           174         19,420         3,570,283           155         18,045         3,123,449           150         18,218         3,387,353           148         18,727         3,193,846           150         19,425         3,691,395           143         19,321         3,676,751           138         19,367         3,714,733           133         19,437         4,044,211           130         19,726         5,076,235           127         19,909         4,513,762           126         20,174         5,290,935           122         20,261         8,291,718           124         20,602         11,656,185           12	Pol Earn Prem (000)         Net Acres (000)         Total Liabilities (000)           69         6,392         930,745         36,486           162         14,584         2,703,331         114,707           130         12,060         2,030,814         84,459           100         9,561         1,595,765         69,093           95         9,548         1,612,002         69,802           88         8,776         1,521,216         62,710           115         12,063         2,066,653         90,200           192         19,799         2,626,626         106,030           174         19,420         3,570,283         169,676           155         18,045         3,123,449         140,592           150         18,218         3,387,353         153,078           148         18,727         3,193,846         170,692           150         19,425         3,691,395         212,131           143         19,321         3,676,751         230,203           138         19,367         3,714,733         225,646           133         19,437         4,044,211         251,919           130         19,726         5,076,2	Pol Earn Prem (000)         Net Acres (000)         Liabilities (000)         Total Premium (000)         Subsidy (000)           69         6,392         930,745         36,486         8,217           162         14,584         2,703,331         114,707         24,954           130         12,060         2,030,814         84,459         18,828           100         9,561         1,595,765         69,093         15,979           95         9,548         1,612,002         69,802         16,073           88         8,776         1,521,216         62,710         14,584           115         12,063         2,066,653         90,200         21,496           192         19,799         2,626,626         106,030         46,184           174         19,420         3,570,283         169,676         59,620           155         18,045         3,123,449         140,592         49,662           150         18,218         3,387,353         153,078         52,871           148         18,727         3,193,846         170,692         46,677           150         19,425         3,691,395         212,131         44,678           143         19,321	Pol Earn Prem (000)         Net Acres (000)         Liabilities (000)         Total Premium (000)         Subsidy (000)         % of Premium Paid by Farmers           69         6,392         930,745         36,486         8,217         77.5%           162         14,584         2,703,331         114,707         24,954         78.2%           130         12,060         2,030,814         84,459         18,828         77.7%           100         9,561         1,595,765         69,093         15,979         76.9%           95         9,548         1,612,002         69,802         16,073         77.0%           88         8,776         1,521,216         62,710         14,584         76.2%           192         19,799         2,626,626         106,030         46,184         56.4%           174         19,420         3,570,283         169,676         59,620         64.9%           155         18,045         3,123,449         140,592         49,662         64.7%           150         19,425         3,691,395         212,131         44,678         78.9%           143         19,321         3,676,751         230,203         123,684         46.3%           133 <td>Pol Earn (000)         Net Acres (000)         Liabilities (000)         Total Premium (000)         Subsidy (000)         % of Premium Paid by (000)           69         6.392         930,745         36,486         8,217         77.5%         135,891           162         14,584         2,703,331         114,707         24,954         78.2%         84,039           130         12,060         2,030,814         84,459         18,828         77.7%         35,613           100         9,561         1,595,765         69,093         15,979         76.9%         48,768           95         9,548         1,612,002         69,802         16,073         77.0%         12,991           88         8,776         1,521,216         62,710         14,584         76.2%         6,566           192         19,799         2,626,626         106,030         46,184         56.4%         84,949           174         19,420         3,570,283         169,676         59,620         64.9%         51,950           155         18,045         3,123,449         140,592         49,662         64.7%         14,278           150         18,218         3,367,353         153,078         52,871         65.</td> <td>Pol Earn (000)         Total (000)         Total (000)         Nut Acres (000)         Total (000)         % of (000)         Premium Premium (000)         Indemnity (000)         Loss/Gain (000)           69         6,392         930,745         36,486         8,217         77.5%         135,891         (99,405)           162         14,584         2,703,331         114,707         24,954         78.2%         84,039         30,668           130         12,060         2,030,814         84,459         18,828         77.7%         315,613         48,845           100         9,561         1,595,765         69,093         15,979         76.9%         48,768         20,325           95         9,548         1,612,002         69,802         16,073         77.0%         12,991         56,811           115         12,063         2,066,653         90,200         21,496         76.2%         6,566         83,634           192         19,799         2,626,626         106,030         46,184         56.4%         84,949         21,081           117         19,420         3,570,283         169,676         59,620         64.7%         14,278         126,314           150         18,218</td> <td>Pol Earn (000)         Total (000)         Total Liabilities (000)         Total (000)         Subsidy (000)         % of Premium Farmers         Indemnity (000)         Loss/Gain (000)         Loss/Gain (000)           69         6,392         930,745         36,486         8,217         77.5%         135,891         (99,405)         3.72           162         14,584         2,703,331         114,707         24,954         78.2%         84,039         30,668         0.73           130         12,060         2,030,814         84,459         18,828         77.7%         35,613         48,845         0.42           95         9,548         1,612,002         69,802         16,073         77.0%         12,991         56,811         0.19           88         8,776         1,521,216         62,710         14,584         76.7%         291,860         (229,150)         4.65           115         12,063         2,066,653         90,200         21,496         76.2%         6,566         83,634         0.07           129         19,799         2,626,626         106,030         46,184         56.4%         84,949         21,081         0.80           174         19,420         3,570,283         169,676</td>	Pol Earn (000)         Net Acres (000)         Liabilities (000)         Total Premium (000)         Subsidy (000)         % of Premium Paid by (000)           69         6.392         930,745         36,486         8,217         77.5%         135,891           162         14,584         2,703,331         114,707         24,954         78.2%         84,039           130         12,060         2,030,814         84,459         18,828         77.7%         35,613           100         9,561         1,595,765         69,093         15,979         76.9%         48,768           95         9,548         1,612,002         69,802         16,073         77.0%         12,991           88         8,776         1,521,216         62,710         14,584         76.2%         6,566           192         19,799         2,626,626         106,030         46,184         56.4%         84,949           174         19,420         3,570,283         169,676         59,620         64.9%         51,950           155         18,045         3,123,449         140,592         49,662         64.7%         14,278           150         18,218         3,367,353         153,078         52,871         65.	Pol Earn (000)         Total (000)         Total (000)         Nut Acres (000)         Total (000)         % of (000)         Premium Premium (000)         Indemnity (000)         Loss/Gain (000)           69         6,392         930,745         36,486         8,217         77.5%         135,891         (99,405)           162         14,584         2,703,331         114,707         24,954         78.2%         84,039         30,668           130         12,060         2,030,814         84,459         18,828         77.7%         315,613         48,845           100         9,561         1,595,765         69,093         15,979         76.9%         48,768         20,325           95         9,548         1,612,002         69,802         16,073         77.0%         12,991         56,811           115         12,063         2,066,653         90,200         21,496         76.2%         6,566         83,634           192         19,799         2,626,626         106,030         46,184         56.4%         84,949         21,081           117         19,420         3,570,283         169,676         59,620         64.7%         14,278         126,314           150         18,218	Pol Earn (000)         Total (000)         Total Liabilities (000)         Total (000)         Subsidy (000)         % of Premium Farmers         Indemnity (000)         Loss/Gain (000)         Loss/Gain (000)           69         6,392         930,745         36,486         8,217         77.5%         135,891         (99,405)         3.72           162         14,584         2,703,331         114,707         24,954         78.2%         84,039         30,668         0.73           130         12,060         2,030,814         84,459         18,828         77.7%         35,613         48,845         0.42           95         9,548         1,612,002         69,802         16,073         77.0%         12,991         56,811         0.19           88         8,776         1,521,216         62,710         14,584         76.7%         291,860         (229,150)         4.65           115         12,063         2,066,653         90,200         21,496         76.2%         6,566         83,634         0.07           129         19,799         2,626,626         106,030         46,184         56.4%         84,949         21,081         0.80           174         19,420         3,570,283         169,676

Table 3. Iowa Crop Ir	nsurance History <sup>1</sup>
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<sup>1</sup>Source: Risk Management Agency Website link, http://www.rma.usda.gov/data/sob.html

<sup>2</sup>The 1988 year only includes corn, soybeans, wheat and cotton. All other years include all insurable crops that were insured in the state.

<sup>3</sup>2012 lowa Loss ratio is expected to be between 160% and 220%, but no actual loss data is currently available.

	Pol					% of				Farmer
	Earn	Not Acros		l otal Promium	Subsidy	Premium Paid by	Indomnity	Loss/Gain	LOSS Ratio	LOSS Ratio
Year <sup>2</sup>	(000)	(000)	Liabilities (000)	(000)	(000)	Farmers	(000)	(000)	(000)	(000)
1988	10	1,058	147,155	6,720	1,516	77.4%	25,610	(18,890)	3.81	4.92
1989	30	2,565	430,618	18,470	4,302	76.7%	11,951	6,519	0.65	0.84
1990	21	1,967	315,809	13,883	3,188	77.0%	8,733	5,151	0.63	0.82
1991	18	1,810	299,849	14,213	3,312	76.7%	38,510	(24,297)	2.71	3.53
1992	20	2,289	386,506	19,609	4,369	77.7%	10,711	8,898	0.55	0.70
1993	22	2,203	367,170	18,075	4,078	77.4%	9,890	8,186	0.55	0.71
1994	20	2,344	425,798	22,065	5,005	77.3%	4,729	17,336	0.21	0.28
1995	79	8,078	887,022	35,342	19,133	45.9%	32,322	3,020	0.91	1.99
1996	50	6,105	934,139	44,004	19,708	55.2%	47,275	(3,271)	1.07	1.95
1997	39	5,132	852,726	42,175	16,326	61.3%	30,058	12,117	0.71	1.16
1998	39	5,361	1,007,149	50,628	18,167	64.1%	43,364	7,264	0.86	1.34
1999	41	5,955	1,083,187	66,590	17,282	74.0%	55,777	10,813	0.84	1.13
2000	44	6,871	1,419,015	94,404	18,239	80.7%	35,003	59,401	0.37	0.46
2001	43	6,911	1,445,440	99,889	52,702	47.2%	17,462	82,427	0.17	0.37
2002	41	6,956	1,445,342	96,462	50,710	47.4%	134,364	(37,901)	1.39	2.94
2003	42	7,142	1,655,942	117,459	61,736	47.4%	104,437	13,022	0.89	1.87
2004	41	7,284	2,030,703	162,100	85,986	47.0%	93,805	68,295	0.58	1.23
2005	42	7,704	2,002,336	163,296	86,600	47.0%	38,921	124,374	0.24	0.51
2006	41	7,785	2,321,034	194,348	103,466	46.8%	35,160	159,188	0.18	0.39
2007	40	7,798	3,499,304	300,949	160,531	46.7%	110,111	190,838	0.37	0.78
2008	40	7,825	4,617,153	449,183	230,430	48.7%	524,943	(75,760)	1.17	2.40
2009	42	8,236	3,748,948	384,171	205,176	46.6%	97,254	286,917	0.25	0.54
2010	41	8,274	3,765,801	305,435	167,211	45.3%	107,868	197,567	0.35	0.78
2011	43	8,596	5,787,863	515,748	282,711	45.2%	300,534	215,214	0.58	1.29
2012 <sup>3</sup>	43	8,535	5,625,531	427,073	239,744	43.9%	1,708,294	(1,281,220)	4.00	9.12
1988 te	o 2011	136,250	40,876,009	3,235,219	1,621,884		1,918,790	1,316,428	0.59	1.19
Est	2012 +			0.000.000	4 004 000	10.001	0.007.00.	05 000		0.6.1
1-	HIStory	144,785	46,501,541	3,662,292	1,861,628	49.2%	3,627,084	35,208	0.99	2.01

Table 4. Indiana Crop Insurance History	I
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<sup>1</sup>Source: Risk Management Agency Website link, http://www.rma.usda.gov/data/sob.html

 $^{2}$ The 1988 year only includes corn, soybeans, wheat and cotton. All other years include all insurable crops that were insured in the state.

<sup>3</sup>2012 Indiana Loss ratio is expected to be between 300% and 400%, but no actual loss data is currently available.

Table 5. Calculation of the Approved Insurance Provider (AIP) and Federal Crop Insurance Corporation (FCIC) Underwriting Gain/Loss for Group 1 and 2 States and Assigned Risk at Selected State Loss ratios under the 2011 Standard Reinsurance Agreement (SRA), Assuming \$1 Million of Retained Premium

State Group 1, Reinsurance in Low Risk States			Loss/				
			Ratio	Claims	Gain/losses	AIP	FCIC
0% Loss Ratio to	50%; AIP share of gain	5.0%	0.350	350,000	650,000	330,000	320,000
50% Loss Ratio to	65%; AIP share of gain	40.0%	0.650	650,000	350,000	262,500	87,500
65% Loss Ratio to	100%; AIP share of gain	75.0%	0.900	900,000	100,000	75,000	25,000
100% Loss Ratio to	160%; AIP share of gain	65.0%	1.600	1,600,000	(600,000)	(390,000)	(210,000)
160% Loss Ratio to	220%; AIP share of gain	45.0%	2.200	2,200,000	(1,200,000)	(660,000)	(540,000)
220% Loss Ratio to	500%; AIP share of gain	10.0%	5.000	5,000,000	(4,000,000)	(940,000)	(3,060,000)
500% Loss Ratio to	end ; AIP share of gain	0.0%	6.000	6,000,000	(5,000,000)	(940,000)	(4,060,000)
State Group 2, Reins	Loss/						
			Ratio	Claims	Gain/losses	AIP	FCIC

			•	•••••••••		
0% Loss Ratio t	50%; AIP share of gain	5.0% <b>0.350</b>	350,000	650,000	408,750	241,250
50% Loss Ratio t	o 65% ; AIP share of gain	40.0% 0.650	650,000	350,000	341,250	8,750
65% Loss Ratio t	to 100%; AIP share of gain	97.5% <b>0.900</b>	900,000	100,000	97,500	2,500
100% Loss Ratio t	to 160%; AIP share of gain	42.5% 1.600	1,600,000	(600,000)	(255,000)	(345,000)
160% Loss Ratio t	o 220%; AIP share of gain	20.0% 2.200	2,200,000	(1,200,000)	(375,000)	(825,000)
220% Loss Ratio t	500%; AIP share of gain	5.0% <b>5.000</b>	5,000,000	(4,000,000)	(515,000)	(3,485,000)
500% Loss Ratio t	o end ; AIP share of gain	0.0% 6.000	6,000,000	(5,000,000)	(515,000)	(4,485,000)

#### Assign Risk Pool for High Risk Farmers, All States Loss/

			Ratio	Claims	Gain/losses	AIP	FCIC
s Ratio to	50%; AIP share of gain	3.0%	0.350	350,000	650,000	103,500	546,500
s Ratio to	65% ; AIP share of gain	13.5%	0.650	650,000	350,000	78,750	271,250
s Ratio to	100%; AIP share of gain	22.5%	0.900	900,000	100,000	22,500	77,500
s Ratio to	160%; AIP share of gain	7.5%	1.600	1,600,000	(600,000)	(45,000)	(555,000)
s Ratio to	220%; AIP share of gain	6.0%	2.200	2,200,000	(1,200,000)	(81,000)	(1,119,000)
s Ratio to	500%; AIP share of gain	3.0%	5.000	5,000,000	(4,000,000)	(165,000)	(3,835,000)
s Ratio to	end ; AIP share of gain	0.0%	6.000	6,000,000	(5,000,000)	(165,000)	(4,835,000)
	ss Ratio to ss Ratio to	is Ratio to50%; AIP share of gainis Ratio to65%; AIP share of gainis Ratio to100%; AIP share of gainis Ratio to160%; AIP share of gainis Ratio to220%; AIP share of gainis Ratio to500%; AIP share of gainis Ratio to500%; AIP share of gainis Ratio to60%; AIP share of gain	is Ratio to50%; AIP share of gain3.0%is Ratio to65%; AIP share of gain13.5%is Ratio to100%; AIP share of gain22.5%is Ratio to160%; AIP share of gain7.5%is Ratio to220%; AIP share of gain6.0%is Ratio to500%; AIP share of gain3.0%is Ratio to60%; AIP share of gain3.0%	Katio       50%; AIP share of gain       3.0%       0.350         Se Ratio to       65%; AIP share of gain       13.5%       0.650         Se Ratio to       100%; AIP share of gain       22.5%       0.900         Se Ratio to       160%; AIP share of gain       7.5%       1.600         Se Ratio to       220%; AIP share of gain       6.0%       2.200         Se Ratio to       500%; AIP share of gain       3.0%       5.000         Se Ratio to       500%; AIP share of gain       3.0%       5.000         Se Ratio to       500%; AIP share of gain       0.0%       6.000	Ratio         Claims           is Ratio to         50% ; AIP share of gain         3.0%         0.350         350,000           is Ratio to         65% ; AIP share of gain         13.5%         0.650         650,000           is Ratio to         100% ; AIP share of gain         22.5%         0.900         900,000           is Ratio to         160% ; AIP share of gain         7.5%         1.600         1,600,000           is Ratio to         220% ; AIP share of gain         6.0%         2.200         2,200,000           is Ratio to         500% ; AIP share of gain         3.0%         5.000         5,000,000           is Ratio to         500% ; AIP share of gain         0.0%         5,000,000         5,000,000           is Ratio to         end         ; AIP share of gain         0.0%         6,000,000	Ratio         Claims         Gain/losses           is Ratio to         50% ; AIP share of gain         3.0%         0.350         350,000         650,000           is Ratio to         65% ; AIP share of gain         13.5%         0.650         650,000         350,000           is Ratio to         100% ; AIP share of gain         22.5%         0.900         900,000         100,000           is Ratio to         160% ; AIP share of gain         7.5%         1.600         1,600,000         (600,000)           is Ratio to         220% ; AIP share of gain         6.0%         2.200         2,200,000         (1,200,000)           is Ratio to         500% ; AIP share of gain         3.0%         5.000         5,000,000         (4,000,000)           is Ratio to         500% ; AIP share of gain         0.0%         6.000,000         (5,000,000)         (5,000,000)	Ratio         Claims         Gain/losses         AIP           is Ratio to         50% ; AIP share of gain         3.0%         0.350         350,000         650,000         103,500           is Ratio to         65% ; AIP share of gain         13.5%         0.650         650,000         100,000         22,500           is Ratio to         100% ; AIP share of gain         22.5%         0.900         900,000         100,000         22,500           is Ratio to         160% ; AIP share of gain         7.5%         1.600         1,600,000         (600,000)         (45,000)           is Ratio to         220% ; AIP share of gain         6.0%         2.200         2,200,000         (1,200,000)         (81,000)           is Ratio to         500% ; AIP share of gain         3.0%         5.000         5,000,000         (4,000,000)         (165,000)           is Ratio to         500% ; AIP share of gain         0.0%         6.000,000         (5,000,000)         (165,000)