

# Macadamia Tree Example

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- A macadamia farmer has **20 acres of Stage 5** macadamia trees planted in Hilo (Hawaii County):
- The Maximum Dollar Amount of Insurance is **\$5,990/acre**
- Farmer selects **65% coverage level**
- The Dollar Amount of Insurance per Acre:  
$$\$5,990 \times 65\% = \$3,894$$
- Farmer's share of the crop is **100%**
- Farmer's Amount of Insurance is:  
$$20 \text{ acres} \times \$3,894/\text{acre} \times 1.0 = \$77,880$$
- Farmer's premium rate is **.009**
- Farmer's premium subsidy is **59%**

# Macadamia Tree Premium



How much will the farmer pay for insurance (**premium**)?

Calculating **Premium**: The amount paid by the farmer for crop insurance.

Total *Amount of Insurance* = **\$77,880**

Total **Premium** = **\$77.880** x .009 = **\$701.00/year**

**Premium** paid by farmer =  $\$701.00 \times .41 =$   
**\$287.00/year**

# Macadamia Tree Loss

The high winds of a tropical storm destroy **500** of the **1,000 trees on the farm.**



# Macadamia Tree Indemnity



How much will be paid to the farmer in the event of a loss (**indemnity**)?

Calculating **Indemnity**: The amount paid to the farmer for his loss due to the tropical storm.

## Determine the Percent of Loss:

Step 1:  $100\% - 65\% = 35\%$  deductible

Step 2:  $500 \div 1,000 = 50\%$  percent loss

Step 3:  $50\% - 35\% = 15\%$

Step 4:  $15\% \div 65\% = 23\%$  loss percent loss

\$77,880 Amount of Insurance  $\times$  23% loss = \$17,912 loss

\$17,912 loss  $\times$  100% share = **\$17,912 indemnity**

**Indemnity paid to farmer = \$17,912**

*\*\*Please note these examples are for information purposes only. Indemnities are dependent upon multiple variables including crop year, coverage elections, location, and loss scenarios.*

# Questions?



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