

## **Supplement Coverage Option (SCO) and Enhanced Coverage Option (ECO)**

SCO/ECO provide area-based coverage for a portion of your insurance deductible

SCO/ECO are endorsements to APH, Yield Production (YP), Revenue Protection (RP), and Revenue with Harvest Price Exclusion (RPHPE) policies

Endorsement must be purchased with an underlying individual crop policy with the same AIP company

Both SCO/ECO have an 80% subsidy regardless of coverage level of underlying policy

Payments are based on how well the county produces, and payments occur in May/June of the following calendar year

Separate insurance offerings by irrigated or non-irrigated practice (different yields/revenue), also separate insurance offerings by organics (higher revenue)

The same crop can have both the SCO endorsement and ARC election at FSA on the same acreage or farm serial number; this is a change from previous years. The insured may elect to enroll in PLC instead of ARC while having the SCO endorsement as well. Insured can be enrolled in ARC or PLC with ECO. Insured cannot be enrolled in Margin Protection, Area Risk Plans of Insurance, HIP-WI (Hurricane Insurance), or other area plans of insurance

Coverage Level:

SCO coverage is your underlying policy coverage level up to 86% i.e. If underlying policy coverage is 70%, the SCO coverage level would be 16%;  $86\% - 70\% = 16\%$

ECO coverage is from either 86%-90% or 86%-95%, dependent on coverage election

Final yields and revenue are based on RMA data, NOT producer yields or NASS data

Cost is dependent on APH and price

**SCO Example #1 – Harvest Price Increase**

<b>CCIP Coverage Level</b>		<b>0.7</b>
<b>Coverage Range for SCO</b> 86% - 70%		<b>0.16</b>
<b>APH Yield</b>	<b>bu/ac</b>	<b>60</b>
<b>Final Farm Yield</b>	<b>bu/ac</b>	<b>30</b>
<b>Base Price</b>	<b>\$/ac</b>	<b>10.00</b>
<b>Harvest Price</b>	<b>\$/ac</b>	<b>11.00</b>
<b>Expected County Yield</b>	<b>bu/ac</b>	<b>50</b>
<b>Final County Yield</b>	<b>bu/ac</b>	<b>40</b>
<b>Expected County Revenue</b>	<b>\$/ac</b>	<b>500</b>
<b>ECR Harvest Price</b>	<b>\$/ac</b>	<b>550</b>
<b>Final County Revenue</b>	<b>\$/ac</b>	<b>440</b>
<b>Liability for SCO</b>	<b>\$</b>	<b>10,560</b>
<b>Payment Factor for SCO</b>		<b>0.375</b>
<b>Indemnity for SCO</b>	<b>\$</b>	<b>3,960</b>
<b>Indemnity for RP</b>	<b>\$</b>	<b>13,200</b>

Underlying Multi-Peril Policy Coverage Level = 70%

APH = 60 bushel, Guarantee = 60 X 70% = 42 bushel per acre guarantee

Harvest Revenue Guarantee = 42 X \$11 = \$462/acre guarantee X 100 acres = \$46,200

Harvest Production = 30 X \$11 = \$330 per acre X 100 acres = \$33,000 harvest value

\$46,200 - \$33,000 = \$13,200 Revenue Protection Loss

SCO Coverage Level = 86% - 70% = 16%

SCO Coverage = 60 bu APH X 16% (SCO coverage Level) X \$11 (harvest \$) X 100 acres = \$10,560

SCO Deductible = 100%-86% = 14%

Loss Percentage = \$550-\$440 / \$550 = 20%

20% loss percentage – 14% SCO deductible = 6% loss

6% loss / 16% SCO coverage level = 0.375 Payment Factor

\$10,560 (SCO Coverage amount) X 0.375 Payment Factor = \$3,960 SCO Payment

Total Indemnity = \$13,200 production loss + \$3,960 SCO Payment = \$17,160 Indemnity

## SCO Example #2 – Harvest Price Decrease

<b>CCIP Coverage Level</b>		<b>0.7</b>
<b>Coverage Range for SCO</b> 86% - 70%		<b>0.16</b>
<b>APH Yield</b>	<b>bu/ac</b>	<b>60</b>
<b>Final Farm Yield</b>	<b>bu/ac</b>	<b>30</b>
<b>Base Price</b>	<b>\$/ac</b>	<b>10.00</b>
<b>Harvest Price</b>	<b>\$/ac</b>	<b>9.00</b>
<b>Expected County Yield</b>	<b>bu/ac</b>	<b>50</b>
<b>Final County Yield</b>	<b>bu/ac</b>	<b>40</b>
<b>Expected County Revenue</b>	<b>\$/ac</b>	<b>500</b>
<b>ECR Harvest Price</b>	<b>\$/ac</b>	<b>500</b>
<b>Final County Revenue</b>	<b>\$/ac</b>	<b>360</b>
<b>Liability for SCO</b>	<b>\$</b>	<b>9,600</b>
<b>Payment Factor for SCO</b>		<b>0.875</b>
<b>Indemnity for SCO</b>	<b>\$</b>	<b>8,400</b>
<b>Indemnity for RP</b>	<b>\$</b>	<b>15,000</b>

Underlying Multi-Peril Policy Coverage Level = 70%

APH = 60 Bushel, Guarantee = 60 X 70% = 42 bushel per acre guarantee

Harvest Revenue Guarantee = 42 X \$10 = \$420/acre guarantee X 100 acres = \$42,000

Harvest Production = 30 X \$9 = \$270 per acre X 100 acres = \$27,000 harvest value

\$42,000 - \$27,000 = \$ 15,000 Revenue Protection Loss

SCO Coverage Level = 86%-70% = 16%

SCO Coverage = 60 bu APH X 16% (SCO Coverage Level) X \$10 (Base Price \$) X 100 Acres = \$9,600

SCO Deductible = 100% - 86% = 14%

Loss Percentage = \$500-\$360 / \$500 = 28%

28% loss percentage – 14% SCO deductible = 14% Loss

14% loss / 16% SCO coverage level = 0.875 Payment Factor

\$9,600 (SCO Coverage amount) X 0.875 Payment Factor = \$8,400 SCO Payment

Total Indemnity = \$15,000 Revenue Protection Loss + \$8,400 SCO Payment = \$23,400 Indemnity