Supplemental Coverage Option for Federal Crop Insurance

Risk Management Agency Fact Sheet

What Is the Supplemental Coverage Option?

The Supplemental Coverage Option (SCO) is a crop insurance option that provides additional coverage for a portion of your underlying crop insurance policy deductible. You must buy it as an endorsement to the Yield Protection, Revenue Protection, or Revenue Protection with the Harvest Price Exclusion policy or to the Actual Production History policy for crops that don't have revenue protection available. The Federal Government pays 65 percent of the premium cost for SCO.

How Do I Buy SCO?

You choose SCO as an endorsement to the underlying policy. You must make this choice by the sales closing date for your underlying policy, and with the same insurance company. Any crop on a farm that you elected to participate in the Agriculture Risk Coverage (ARC) program (a program started in the 2014 Farm Bill, administered by the Farm Service Agency) is not eligible for SCO coverage.

How Does SCO Work?

SCO follows the coverage of your underlying policy. If you choose Yield Protection, then SCO covers yield loss. If you choose Revenue Protection, then SCO covers revenue loss.

The amount of SCO coverage depends on the liability, coverage level, and approved yield for your underlying policy. However, SCO differs from the underlying policy in how a loss payment is triggered. The underlying policy pays a loss on an individual basis and an indemnity is triggered when you have an individual loss in yield or revenue. SCO pays a loss on an area basis, and an indemnity is triggered when there is a county level loss in yield or revenue.

For example, suppose a grower's corn crop has an expected value of $765.00 per acre (170 bushels at $4.50 per bushel). Assume the grower buys a Revenue Protection policy with a 75-percent coverage level (this is the "underlying policy"). The underlying policy covers 75 percent (or $573.75) of the expected crop value and leaves 25 percent (or $191.25) uncovered as a deductible.

By the sales closing date, the grower has the option to buy SCO coverage. Since the underlying policy is Revenue Protection, SCO will also provide revenue protection, except that an indemnity will be determined at a county level. SCO revenue coverage is described in the following table.

The SCO Endorsement begins to pay when county average revenue falls below 86 percent of its expected level. The full amount of the SCO coverage is paid out when the county average revenue falls to the coverage level of the underlying policy. In this example it is 75 percent (shown on line B in the table).

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STEP	SCO COVERAGE CALCULATION	
A	SCO Endorsement begins to pay when county revenue alls below this percent of its expected level (the percent is the same for all SCO policies – set by law)	86%
B	SCO Endorsement pays out its full amount when county revenue falls to the coverage level percent of its expected level (always equal to the coverage level of the underlying policy)	75%
C	Percent of expected crop value covered by SCO (A – B, or 86% – 75%)	11%
D	Amount of SCO Protection (C • Expected Crop Value, or 11% • $765)	84.15%

SCO payments are determined only by county average revenue or yield, and are not affected by whether you receive a payment from your underlying policy. It is possible to experience an individual loss but to not receive an SCO payment, or vice-versa.

The dollar amount of SCO coverage is based on the percent of crop value covered. In this example there are 11 percentage points of coverage (from 86 percent to 75 percent). Eleven percent of the expected crop value is $84.15 (or 11 percent • $765.00). The SCO policy can cover up to $84.15 of the $191.25 deductible amount not covered by your can cover up to $84.15 of the $191.25 deductible amount not covered by your underlying policy.

SCO also allows growers to customize their amount of coverage with a coverage percentage. The coverage percentage is elected from a range of 50 percent to 100 percent, and the maximum amount of SCO coverage is multiplied by that percentage. The coverage percentage defaults to 100 percent if the grower chooses not to specify a coverage percentage.

Following from the example above, if you choose an SCO coverage percentage of 50 percent, the SCO policy will cover $42.08 (50 percent • $84.15) of the $191.25 deductible not covered by your underlying policy.

How Much Does SCO Cost?

The exact premium cost depends on the crop, county, coverage level you choose for the underlying policy, SCO coverage level percent you choose, and the type of coverage you choose, such as Yield Protection or Revenue Protection. The Federal Government pays 65 percent of the premium. You should talk to your crop insurance agent for more information.

How Do I Decide If I Should Buy SCO?

For those crops and farms eligible for SCO coverage, the type and amount of SCO coverage are determined by the type and coverage level you choose for the underlying policy. You should talk to your crop insurance agent to determine what best meets your individual risk management needs.

Where Is SCO Available?

SCO was first available for the 2015 crop year in select counties for spring barley, corn, soybeans, wheat, sorghum, cotton, and rice. RMA will be making greater use of crop insurance data to expand SCO coverage into

more areas, more crops, and to make SCO coverage more practice-specific (for example, irrigated in comparison to non-irrigated). Tools are available on RMA's public website to view availability and other program-related information. A map of SCO availability can be accessed through the Map Viewer tool on the RMA website at

public-rma.fpac.usda.gov/apps/MapViewer/index.html

Other program-related information is available through the Actuarial Information Browser on the RMA website at

webapp.rma.usda.gov/apps/actuarialinformationbrowser

What Happens If I Elect SCO and Signed Up for ARC?

If you elect SCO and ARC for the same crop on a farm, your SCO coverage for that crop on that farm will be cancelled and you must report the crop on that farm as covered by ARC on your acreage report. If you do not report a farm covered by ARC the acreage of that farm will be ineligible for an SCO payment but you will still owe 60 percent of your SCO premium on that crop and farm to cover administrative expenses. However, your underlying policy will still be in effect.

FSA Election for ARC is March 15, which is the date RMA will use to establish if producers are eligible for SCO.

Examples:

- Example 1: If you have a farm with corn base acres and elect ARC and plant corn then you may not participate in SCO.
- Example 2: If you have a farm with corn base acres and elect ARC but plant soybeans, you may purchase SCO on the soybeans.
- Example 3: If you have a farm with corn base acres and elect PLC and plant corn then you may participate in SCO.

Where to Buy Crop Insurance

All multi-peril crop insurance, including Catastrophic Risk Protection and SCO policies, are available from private crop insurance agents. A list of crop insurance agents is available at all USDA service centers and on the RMA website at

www.rma.usda.gov/Information-Tools/Agent-Locator.