UNITED STATES DEPARTMENT OF AGRICULTURE
Federal Crop Insurance Corporation
Common Crop Insurance Policy
Enhanced Coverage Option Endorsement

In return for your payment of premium for the coverage, this Endorsement will be attached to and made part of the Common Crop Insurance Policy, Basic Provisions (Basic Provisions) and Crop Provisions for the insured crop (published at 7 CFR Part 457), subject to the terms and conditions described herein. The Enhanced Coverage Option (ECO) Endorsement provides coverage for a portion of the deductible of your underlying crop insurance policy. This Endorsement does not provide payments for prevented planting or replanting. The coverage provided by this Endorsement may not be combined with the Stacked Income Protection Plan (STAX), Margin Protection, or the Hurricane Insurance Protection-Wind Index (HIP-WI) Endorsement on any acreage planted to the insured crop. The coverage provided by this Endorsement is only available with an individual plan of insurance that insures acreage at an additional coverage level. Insurance will not attach to any acreage covered by the Catastrophic Risk Protection Endorsement. High risk acreage excluded from the underlying policy and insured under the High Risk Alternate Coverage Endorsement may be insured under ECO.

1. Definitions

Area loss trigger - The percent of expected area yield or revenue, as applicable, below which an indemnity is paid. The area loss trigger is either 95 or 90 percent as chosen by you.

Coverage percentage - The percentage you choose that is used to calculate the dollar amount of insurance under this Endorsement.

ECO coverage range – The percent of your expected crop value that can be covered by this Endorsement. It is the difference between the area loss trigger you select and 86 percent, expressed as a whole percentage.

ECO protection - The dollar amount of insurance provided by this Endorsement for each coverage level, type, and practice.

Expected area revenue - The expected area yield multiplied by the projected price.

Expected area yield - The yield per acre contained in the actuarial documents for the insured crop, type, and practice in the production area. The expected area yield is used to determine if an indemnity will be due.

Expected crop value - The value of the crop based on your approved yields and the projected price or price election, as applicable. For revenue protection underlying policies only, expected crop value may increase if the harvest price is higher than the projected price.

Final area revenue - The amount per acre determined by multiplying the final area yield by the harvest price, released by FCIC at the time specified in the actuarial documents. The final area revenue is used to determine if an indemnity will be due for revenue protection underlying policies.

Final area yield - The yield per acre for the insured crop, type, and practice in the production area, as determined and released by FCIC at a time specified in the actuarial documents. The final area yield is used to determine if an indemnity will be due.

NASS - National Agricultural Statistics Service, an agency within USDA, or its successor.

Payment factor – A factor that represents the production area loss as compared to your ECO coverage range. The payment factor is used to determine the amount of indemnity to be paid under this Endorsement.

Production area - The geographical area on which the expected and final area yields are based, designated generally as a county, but may be a smaller or larger geographical area as specified in the actuarial documents.

Underlying policy - The Common Crop Insurance Policy Basic Provisions (Basic Provisions) and Crop Provisions, published at 7 CFR Part 457, to which this Endorsement is attached.

2. Conditions of Insurance

(a) You must have an underlying policy for the insured crop in force with us to elect coverage under this Endorsement.

(b) Premium and indemnity under this Endorsement may be reduced on acreage that has more than one insured crop in a single crop year, in accordance with section 15 of the Basic Provisions.

(c) You may select a coverage percentage, from 50 percent to 100 percent, when you elect coverage under this Endorsement. The default coverage percentage is 100 percent.

3. Life of Endorsement

(a) This is a continuous Endorsement in accordance with section 2 of the Basic Provisions.

(b) If at any time your underlying policy for the insured crop is cancelled or terminated, coverage under this Endorsement is automatically cancelled or terminated as of the same date.

(c) If you change the coverage level or plan of insurance of the underlying policy for a subsequent crop year, this Endorsement will remain in effect and will provide protection based on the area loss trigger you selected, unless you change your area loss trigger or cancel this Endorsement on or before the cancellation date, or you change your insurance coverage to a plan of insurance not covered by the Basic Provisions.

4. Report of Acreage

We will use the acreage report you file for the underlying policy to determine the number of insured acres of each coverage level, type, and practice of the insured crop.

5. Insurable Acreage and Unit Division

(a) All planted acreage of the crop in the county that is insured by the underlying policy must be insured under this Endorsement, except this Endorsement will not insure acreage that is designated as covered by STAX.

(b) In lieu of the provisions regarding units and unit division in the underlying policy, protection provided by this Endorsement will be based on all insurable planted acreage of the crop in the county with the same coverage level, type and practice:

(1) ECO protection will not be provided for acreage that is ineligible for coverage under this Endorsement, in accordance with paragraph (a); and

(2) Paragraph (b) applies regardless of whether such acreage is owned, rented for cash, or rented for a

share of the crop, including acres on which you are insuring another person's share of the crop.

6. ECO Protection

(a) To calculate your ECO protection for all planted acres of the crop in the county with the same coverage level, type, and practice that are insured by this Endorsement:

(1) Determine your ECO coverage range by subtracting 86 percent from your selected area loss trigger;

(2) Divide the liability of the underlying policy for those acres by the coverage level of the underlying policy to determine the expected crop value; and

(3) Multiply the ECO coverage range from paragraph (1) by the expected crop value from paragraph (2) and by the coverage percentage you selected to determine the ECO protection.

(b) If there are multiple coverage levels, types, or practices for the insured crop in the county, your ECO protection will be determined separately for the acres of each coverage level, type, and practice.

7. Annual Premium and Administrative Fee

(a) You will owe a separate annual premium and administrative fee for this Endorsement, in addition to any amount owed for the underlying policy.

(b) Premium for this endorsement is calculated by multiplying the amount of ECO protection determined in accordance with section 6(a) by the premium rate and any premium adjustment percentages that may apply.

(1) For revenue protection underlying policies, the applicable projected price will be used to determine the expected crop value in section 6(a)(2) when calculating the premium.

(2) All information needed to calculate the premium rate is contained in the actuarial documents.

(c) The administrative fee for this Endorsement is determined in accordance with the provisions in section 7(e) of the Basic Provisions.

8. Causes of Loss

(a) This Endorsement provides protection against widespread loss of yield or revenue (as applicable) in the production area due to natural causes.

(b) Individual farm yields and revenues are not considered under this Endorsement when determining the final area yield or the final area revenue:

(1) It is possible that your individual farm may experience reduced revenue or reduced yield and you do not receive an indemnity under this Endorsement.

(2) The notice provisions in section 14(b) of the Basic Provisions do not apply to this Endorsement.

(c) No indemnity will be due on acreage that we have determined has been damaged solely by causes not insured by the underlying policy.

9. Area Loss Triggers, Payment Factors, and Indemnity Calculations

(a) An indemnity is due under this Endorsement if:

(1) For revenue protection underlying policies, the final area revenue is less than the expected area yield multiplied by the higher of the projected price or harvest price and by the area loss trigger;

(2) For revenue protection underlying policies with the harvest price exclusion, the final area revenue is less than the expected area revenue multiplied by the area loss trigger; or

(3) For all other underlying policies, the final area yield is less than the expected area yield multiplied by the area loss trigger.

(b) If an indemnity is due, the payment factor is calculated for each coverage level, type, and practice by:

(1) For revenue protection underlying policies:

(i) Multiplying the expected area yield by the higher of the projected price or harvest price;

(ii) Dividing the final area revenue by the result of clause (i);

(iii) Subtracting the percent from clause (ii) from the area loss trigger; and

(iv) Dividing clause (iii) by the ECO coverage range to determine the payment factor;

(2) For revenue protection underlying policies with the harvest price exclusion:

(i) Dividing the final area revenue by the expected area revenue;

(ii) Subtracting the percent from clause (i) from the area loss trigger; and

(iii) Dividing clause (ii) by the ECO coverage range to determine the payment factor.

(3) For all other underlying policies:

(i) Dividing the final area yield by the expected area yield;

(ii) Subtracting the percent from clause (i) from the area loss trigger; and

(iii) Dividing clause (ii) by the ECO coverage range to determine the payment factor.

(4) The payment factor is limited to a maximum of 1.000.

(c) Indemnity is calculated by multiplying the ECO protection by the payment factor for each coverage level, type, and practice.

(d) Indemnities are calculated following the release by FCIC of the final area yield and the harvest price.

(e) In lieu of the provisions in section 14(f)(1) of the Basic Provisions, we will pay your loss under this Endorsement within 30 days after FCIC releases the final area yield and revenue.

10. Expected and Final Area Yields

(a) The data source used for the expected and final area yields will be specified in the actuarial documents.

(b) Except as otherwise provided in this section, the data source used to establish the expected area yield will be used to establish the final area yield.

(c) If the data source used to establish the expected area yield is not able to provide sufficient data to establish the final area yield because the data is no longer available or credible, or reflects changes that may have occurred after the expected area yield was established;

(1) FCIC will determine the final area yield based on the most accurate data available from subsection (g), as determined by FCIC; or

(2) To the extent that practices used during the crop year change from those upon which the expected area yield is based, the final area yield may be adjusted to reflect the yield that would have resulted but for the change in practice. For example, if the production area is traditionally 90 percent irrigated and 10 percent non-irrigated, but for the current crop year the production area is now 50 percent irrigated and 50 percent non-irrigated, the final area yield will be adjusted to an amount as if the production area had 90 percent irrigated acreage.

(d) If the final area yield is established from a data source other than that used to establish the expected area yield, FCIC will provide notice of the data source and the reason for the change at the time the final area yield is published.

(e) If expected and final area yields are based on NASS data, the final area yield will be the most current NASS yield at the time FCIC determines the final area yield in accordance with the actuarial documents.

(f) The final area yield determined by FCIC is considered final for the purposes of establishing whether an indemnity is due and will not be revised for any reason.

(g) Expected and final area yields used under this Endorsement for a crop, type, and practice may be based on:

(1) Data collected by NASS, regardless of whether such data is published or unpublished; or

(2) Crop insurance data, other USDA data, or other data sources determined appropriate by FCIC.

(h) All expected and final area yields are established by FCIC and are matters of general applicability. Refer to section 20(k) of the Basic Provisions.

11. Written Agreements

(a) This Endorsement is applicable to planted acres of the insured crop in the county that are insured under a written agreement attached to the underlying policy.

(b) This Endorsement is available only when authorized by the actuarial documents for the county and cannot be made available through a written agreement.

12. Examples

The following are examples of the calculation of premium, ECO protection, and indemnity for plans of insurance that may be selected for an underlying policy. Your information will likely be different, and you should consult the actuarial documents in your county and the policy information.

The following scenario elements are for illustration purposes only and apply to each of the examples that follow. (Note: Other qualifying insurance plans will have the same results as the Yield Protection policy illustrated in these examples.)

Producer A farms 1,000 acres of corn in county X. There is one coverage level, type, and practice and producer A has a 100 percent share in the crop.

The actuarial documents in county X show:

Expected area yield = 200.0 bushels per acre;
Projected price = $4.00 per bushel; and
Expected area revenue = $800.00 per acre.

Producer A plants 1,000 acres to corn in one basic unit and has an APH yield of 210 bu. per acre.

Producer A chooses the 70 percent coverage level for the underlying policy.

For ECO, Producer A chooses the 95 percent area loss trigger and an 80 percent coverage percentage.

With this information, we determine:

Liability of underlying policy = 210.0 x 0.70 x $4.00 x 1,000 x 1.000 = $588,000
Expected crop value = $588,000 ÷ 0.70 = $840,000
ECO coverage range = 0.95 – 0.86 = 0.09
ECO protection = $840,000 x 0.09 x 0.80 = $60,480

The actuarial documents contain the following premium rates for ECO with the specified insurance plan:

Revenue protection	0.1540
Revenue protection HPE	0.1040
Yield protection	0.0880

The total premium (before subsidy) for each of these forms of underlying policy will be (Note: crops without revenue protection will be the same as yield protection):

Revenue protection	$60,480 x 0.1540 = $9,314
Revenue protection HPE	$60,480 x 0.1040 = $6,290
Yield protection	$60,480 x 0.0880 = $5,322

The actuarial documents also contain a premium subsidy factor of 0.51 for ECO on a Yield Protection underlying policy (producer pays 49%) and 0.44 for ECO on a Revenue Protection or Revenue Protection HPE underlying policy (producer pays 56%).

The net producer premium for each of these examples is:

Revenue protection	$9,314 x 0.56 = $5,216
Revenue protection HPE	$6,290 x 0.56 = $3,522
Yield protection	$5,322 x 0.49 = $2,608

At the end of the insurance period, FCIC releases the following information in the actuarial documents:

Harvest price = $3.90 per bushel
Final area yield = 190.0 bushels per acre
Final area revenue of $741.00 per acre

<u>Indemnity calculation for revenue protection policy:</u>

The expected area revenue (from actuarial tables) remains = $800.00 (harvest price < projected price)
Final area revenue ÷ expected area revenue
$741.00 ÷ $800.00 = 0.9263
Subtract from area loss trigger
0.9500 – 0.9263 = 0.0237
The result is positive; percent of loss is
Min(0.0237 ÷ 0.0900, 1.0000) = 0.2633
The harvest price < projected price; therefore, the ECO protection remains = $60,480
The indemnity is
$60,480 x 0.2633 = $15,924

<u>Indemnity calculation for revenue protection HPE policy</u>

The expected area revenue = $800.00
Final area revenue ÷ expected area revenue
$741.00 ÷ $800.00 = 0.9263
Subtract from area loss trigger
0.9500 – 0.9263 = 0.0237
The result is positive; percent of loss is
Min(0.0237 ÷ 0.0900, 1.0000) = 0.2633
The harvest price < projected price; therefore, the ECO protection remains = $60,480
The indemnity is
$60,480 x 0.2633 = $15,924

<u>Indemnity calculation for yield protection (and other qualifying insurance plans)</u>

The ECO protection remains $800.00
Final area yield ÷ expected area yield
190.0 ÷ 200.0 = 0.9500
Subtract from the area loss trigger
0.9500 – 0.9500 = 0.0000
Because the result of this calculation is zero, no indemnity is payable.