**United States
Department of
Agriculture**

USDA

**Federal Crop
Insurance
Corporation**

FCIC

**Risk
Management
Agency**

**Product Administration
and Standards Division**

FCIC-24400 (11-2020)

ENHANCED COVERAGE OPTION ENDORSEMENT INSURANCE STANDARDS HANDBOOK

2021 and Succeeding Crop Years

RISK MANAGEMENT AGENCY
KANSAS CITY, MO 64133

TITLE: ENHANCED COVERAGE OPTION ENDORSEMENT INSURANCE STANDARDS HANDBOOK	**NUMBER: FCIC-24400**
EFFECTIVE DATE: 2021 and Succeeding Crop Years	**ISSUE DATE: November 25, 2020**
SUBJECT: **Provides underwriting procedures and instructions for administering the Enhanced Coverage Option Endorsement**	**OPI: Product Administration & Standards Division**
	APPROVED: */s/ John W. Underwood for* **Deputy Administrator for Product Management**

REASON FOR ISSUANCE

This handbook provides the official FCIC-approved standards for administering the Enhanced Coverage Option (ECO) Endorsement for the 2021 and succeeding crop years.

SUMMARY OF CHANGE

1. Para. 1E   Corrected that the Endorsement can be combined with underlying policy application.

2. Para 43 (3)-(5) Deleted share from the calculation and corrected results of deleting share.

3. Exhibit 3   Added substantive fields "Area Loss Trigger" and "Coverage Percentage."

4. Exhibit 3   3A(2) Replaced "however," with "but" to match SCO statement.

CONTROL CHART

	TP Page(s)	TC Page(s)	Text Page(s)	Exhibit Number	Exhibit Pages	Date	Directive Number
	Enhanced Coverage Option Endorsement Insurance Standards Handbook						
Insert	Entire Handbook						
Current Index	1-2	1-2	1-11	1-3	12-14	11-2020	FCIC-24400

(Reserved)

ENHANCED COVERAGE OPTION ENDORSEMENT INSURANCE STANDARDS
HANDBOOK
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PART 1 GENERAL INFORMATION AND REQUIREMENTS

1   General Information

A.   Purpose

This handbook provides procedure for administering the Enhanced Coverage Option Endorsement (ECO). It supplements the CIH, GSH, and LAM via exceptions, changes, and additions. If there is a conflict between this handbook and the CIH, GSH, or LAM, this handbook controls.

B.   Source of Authority

The ECO is a privately developed product approved by the FCIC Board of Directors on August 20, 2020, under Section 508(h) of the Federal Crop Insurance Act. This handbook provides the FCIC-approved procedures for administering the Pilot.

C.   Duration

ECO is available beginning with the 2021 crop year and is authorized without limit as to duration unless terminated by the FCIC Board of Directors.

D.   Availability

ECO is available whenever appropriate materials are included in the actuarial documents.

E.   Applying for ECO

AIPs shall use the standard application for ECO. The application must indicate the insured has selected ECO, the area loss trigger level (include in the space for coverage percentage), and applicable Crop Provisions along with all other required information. The application form can be completed separately or combined with the application for the underlying policy.

F.   ECO Coverage

ECO supplements the coverage available under Revenue Protection (RP), Revenue Protection with Harvest Price Exclusion (RPHPE), Yield Protection (YP), Yield Based Dollar Amount of Insurance, and APH policies. See the table for underlying policy and ECO identifying codes. See the actuarial documents for availability by crop and county.

When elected, ECO establishes a separate plan code for ECO coverage choice for IT processing purposes only. Although the ECO creates an insurance plan submitted for processing to RMA, the actuarial documents identify ECO availability with additional tabs in the actuarial documents for the underlying policy's plan of insurance.

F.   **ECO Coverage (Continued)**

Plans of Insurance

Underlying Policy Plan of Insurance Code	ECO Plan of Insurance Code
YP – 01	87
RP - 02	88
RP-HPE - 03	89
Yield Based Dollar Amount of Insurance - 55*	87
APH - 90	87

* This plan is for Hybrid Corn Seed, Hybrid Seed Rice and Hybrid Sorghum Seed.

G.   **Continuous Option**

The ECO is continuous and remains in effect for the insured crop until cancelled by the insured or the AIP on or before the cancellation date provided the insured retains an underlying policy that can be a YP, RP, RP-HPE, Yield Based Dollar Amount of Insurance or an APH (as applicable to the crop) on that crop.

H.   **Cancellation or Policy Change**

(1)   If the insured's underlying policy for the crop is cancelled or terminated, coverage under the ECO is automatically cancelled.

(2)   Other changes made to the underlying policy do not cancel the ECO. The ECO will continue to provide its coverage based on the chosen area trigger level.

I.   **Administrative Fees**

An administrative fee for the crop covered by each ECO will be due in addition to any administrative fee(s) for the base policy [see CIH]. However, waiver of the ECO administrative fee is applicable for insureds who qualify as a limited resource farmer or a beginning farmer/rancher.

J.   **Written Agreements**

(1)   A written agreement to add the ECO to an underlying policy when the ECO is not provided in the actuarial documents for the crop/county/P/T is not authorized.

(2)   If the ECO is available in the actuarial documents for the crop/county/P/T where the crop is physically located, ECO may be elected when a written agreement applies to the underlying policy.

K.   **High-Risk Land**

   (1)   High-risk acreage insured by the underlying policy is insured under ECO.

   (2)   Any high-risk acreage excluded from an underlying policy under the High-Risk Land Exclusion Option is not insured under ECO.

   (3)   When high-risk acreage is insured under a separate policy by the HRACE, ECO must be elected on the HRACE policy when the insured elects ECO on the base policy.

L.   **Impact of the Agricultural Risk Coverage (ARC) Program**

   ARC is a program administered by the FSA. Payments under ARC do not occur until the current year's actual crop revenue is less than 86 percent of the county benchmark revenue. This is outside the coverage range of ECO; therefore, no limitations on the purchase of ECO are created.

M.   **Impact of Native Sod Acreage**

   The native sod acreage premium subsidy reduction of 50 percentage points to the premium assistance identified in the actuarial documents is applicable to the ECO premium.

N.   **Stacked Income Protection Policy (STAX)**

   The insured may elect both ECO and STAX for upland cotton if the eligibility requirements of both programs are met. However, the same acreage cannot be insured under both ECO and STAX. The upland cotton must be insured under the CCIP-BP if the insured has elected both ECO and STAX. If the underlying policy is a standalone STAX policy, the ECO is not available. No later than the STAX SCD, the insured must designate which acres of upland cotton in the county will be covered by STAX. Acres designated for STAX are uninsurable acreage for ECO coverage.

O.   **Uninsured Causes of Loss**

   Indemnities will not be paid on acreage that has been determined to have been solely damaged by causes of loss not covered by the underlying policy.

P.   **Duplicate Policy Exceptions**

   ECO is not considered a duplicate policy when available on the actuarial documents.

Q.   **Underlying Policies**

The underlying policy for ECO cannot include the Hurricane Insurance Protection – Wind Index Endorsement. This endorsement must be cancelled before ECO may attach to a qualifying underlying policy.

The underlying policy for ECO cannot be any form of Margin Protection (MP) or Area Risk Protection Insurance (ARPI). ECO will not attach to these policies.

ECO cannot attach to a CAT Policy.

R.   **Related Handbooks**

The following table provides handbooks related to ECO.

Important: Not all sections of related handbooks or all procedures in a section apply to ECO. See Part 3 for more information.

Handbook	Purpose
CIH	General underwriting procedures
GSH	General administrative procedures
LAM	General loss procedures

2   Responsibilities

A.   **AIP Responsibilities**

AIPs must use standards, procedures, methods and instructions as authorized by FCIC in the sale and service of crop insurance contracts. Each AIP is responsible for using RMA approved procedure. AIPs should report any program issues or concerns to PASD of RMA.

B.   **Insured's Responsibilities**

The insured must:

(1)   have an insurance policy under the CCIP-BP (referred to as the underlying policy);

(2)   elect ECO on or before the SCD; and

(3)   comply with all terms and conditions of ECO.

(3-20) Reserved

PART 2 INSURABILITY

21   Insurable Types and Practices

A.   Types Insurable

Insurable types are specified in the actuarial documents. Any type insurable under the CP is insurable under ECO.

If the underlying policy is a corn, rice, or grain sorghum policy and the actuarial documents have seed or silage type in the county, ECO is available for those types. If silage is shown as an insurable type in the county, it is insurable at the same coverage as grain and all information will be shown in bushels. If seed is listed as an insurable type and the insured has elected a hybrid seed policy for the crop, any acreage planted to that crop must be reported under that policy. Otherwise, those acres are reported under ECO.

B.   Practices Insurable

Insurable practices are specified in the actuarial documents. Any practice insurable under the CP is insurable under ECO.

22   Units and Coverage Levels

A.   Units

There are no units for ECO. Policy protection is based on all planted acreage of the crop in the county insured by the underlying policy excluding acreage insured under STAX (see Part 1N) or is excluded high risk land (see Part 1K). If there are multiple types or practices for the insured crop in the county, the ECO protection will be determined separately for acreage insured of each type and practice.

B.   Area Loss Trigger Levels

Coverage is based on two area trigger levels: 95 and 90 percent. These represent the point at which an area loss becomes payable.

C.   Coverage Range

The lower limit of the coverage range for ECO is 86 percent. Hence, there are two coverage ranges offered: 95 – 86 percent = 9 percent and 90 – 86 percent = 4 percent. Area losses below 86 percent of the area yield are not covered by ECO but may be covered by SCO under the terms of that Endorsement if the producer and acreage are eligible.

A.   Insurance Dates (Continued)

All insurance dates are the same as those for the underlying policy.

B.   Causes of Loss

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

(2)   Individual farm yields and revenues are not considered under ECO when determining the final area yield or the final area revenue. It is possible that an individual farm may experience reduced revenue or reduced yield and an indemnity will not be paid under ECO.

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

24-30 (Reserved)

PART 3 ACREAGE REPORTING

31   Acreage Reports

A separate acreage report is not required for ECO. All information needed to establish a guarantee will be extracted from the acreage report filed for the underlying policy.

Since there are no units for ECO, policy protection is based on all planted acreage of the crop in the county insured by the underlying policy excluding acreage insured under STAX, see Paragraph 1N, and any high-risk land excluded by Paragraph 1K. If there are multiple types or practices for the insured crop in the county, the ECO protection will be determined separately for acreage insured for each type and practice.

32-40 (Reserved)

PART 4 DETERMINING ECO PROTECTION, PREMIUM, AND INDEMNITY

41   Determining ECO Amount of Insurance

(1)   The ECO guarantee is based on the liability of the underlying policy and the coverage range chosen by the insured.

(2)   The ECO coverage range is the selected area loss trigger minus 86 percent.

    (a)   ECO coverage range = 0.95 – 0.86 = 0.09 for the 95 percent area loss trigger
    (b)   ECO coverage range = 0.90 – 0.86 = 0.04 for the 90 percent area loss trigger

(3)   The ECO protection is the result of:

(Liability of underlying policy ÷ coverage level of underlying policy) x ECO coverage range x Coverage Percentage

Example: Liability of underlying policy = $250,000; coverage level of underlying policy = 75 percent; coverage percentage defaults to 100 percent, and selected area loss trigger = 95 percent
ECO coverage range = 0.95 – 0.86 = 0.09
ECO protection = ($250,000 ÷ 0.75) x 0.09 x 1.00 = $30,000

If selected area loss trigger is 90 percent
ECO coverage range = 0.04
ECO protection = ($250,000 ÷ 0.75) x 0.04 x 1.00 = $13,333

42   Determining ECO Premium Amount

(1)   The total ECO premium equals the amount of ECO protection multiplied by the rate published in the actuarial documents for the type and practice.

Example: The premium rate from the actuarial documents is 0.1234
The amount of ECO protection is $30,000
The premium = $30,000 x 0.1234 = $3,702

(2)   The subsidy rate for ECO protection is 44% for revenue-based products and 51% for yield based products.

Example: Assume the example in A has an underlying RP or RPHPE policy
The subsidy is $3,702 x 0.44 = $1,629
The producer premium is $3,702 – 1,629 = $2,073

43   Determining ECO Indemnity Amount

(1)   The amount of an indemnity is determined by multiplying the payment factor by the amount of ECO protection.

(2)   Determining the payment factor differs among underlying policies as set forth below. Assumed values for calculations are:

Projected Price	$5.20
Harvest Price	$5.60
Expected area yield	168.4 bu.
Expected area revenue	$875.68 (RPHPE) = 168.4 x $5.20
Expected area revenue	$943.04 (RP) = 168.4 x max($5.20, $5.60)
Final area yield	148.4 bu.
Final area revenue	$831.04 per acre = 148.4 x $5.60
Area loss trigger	95%
Share	80%
Coverage percentage	100%
Liability underlying policy	$250,000
Coverage level underlying policy	75%

(3)   ECO with Underlying Yield Protection Policy:

(a)   determine ECO protection;

Formula: expected crop value = underlying liability ÷ underlying coverage level

$250,000 ÷ 0.75 = $333,333 expected crop value

Amount of ECO protection =   expected crop value x coverage range x coverage percentage

$333,333 x (0.95 – 0.86) x 1.00 = $30,000 ECO protection

(b)   divide the final county yield by the expected county yield (from actuarial documents);

148.4 ÷ 168.4 = 0.8812

(c)   subtract the result of (b) from the area loss trigger chosen by the insured, with a result not less than zero or greater than the coverage range;

Formula: min(max(area loss trigger – final area yield ÷ expected area yield, 0), coverage range)

Min(max(0.9500 – 0.8812, 0), 0.09) = 0.0688

(d)   divide the result of (c) by the coverage range to determine the payment factor; and

0.0688 ÷ 0.0900 = 0.764

(e) multiply the amount of ECO protection (from (a)) by the payment factor (from (d)) to determine the indemnity.

Formula: ECO protection x payment factor

$30,000 x 0.764 = $22,920

(4) ECO with Underlying Revenue Protection Policy:

(a) determine ECO protection;

Since the harvest price > projected price, the liability of the underlying policy increases to $269,231

Formula: expected crop value x coverage range x coverage percentage

Expected crop value = $269,231 ÷ 0.75 = $358,975

ECO protection = $358,975 x 0.09 x 1.00 = $32,308

(b) divide the final area revenue by the expected area revenue (from actuarial documents);

$831.04 ÷ $943.04 = 0.8812

(c) subtract the result of (b) from the area loss trigger chosen by the insured, with a result not less than zero or greater than the coverage range;

Formula: min(max(area loss trigger – result of (b), 0), coverage range)

Min(max(0.9500 – 0.8812, 0), 0.09) = 0.0688

(d) divide the result of (c) by the coverage range to determine the payment factor; and

0.0688 ÷ 0.0900 = 0.764

(e) multiply the amount of ECO protection (from (a) by the payment factor (from (d) to determine the indemnity.

Formula: ECO protection x payment factor

$32,308 x 0.764 = $24,683

(5)   ECO with Underlying Revenue Protection HPE Policy:

   (a)   determine ECO protection;

   Formula: Expected crop value = underlying liability ÷ underlying coverage level

   Expected crop value x coverage range x share x coverage percent

   $250,000 ÷ 0.75 = $333,333

   $333,333 x (0.95 – 0.86) x 1.00 = <mark>$30,000</mark>

   (b)   divide the final area revenue by the HPO expected area revenue (from actuarial documents);

   $831.04 ÷ $875.68 = 0.9490

   (c)   subtract the result of (b) from the area loss trigger chosen by the insured, with a result not less than zero or greater than the coverage range;

   Formula: min(max(area loss trigger – result of (b), 0), coverage range)

   Min(max(0.9500 – 0.9490, 0), 0.09) = 0.0010

   (d)   divide the result of (c) by the coverage range to determine the payment factor; and

   0.0010 ÷ 0.0900 = 0.011

   (e)   multiply the amount of ECO protection (from (a)) by the payment factor (from (d)) to determine the indemnity.

   Formula: ECO protection x payment factor

   <mark>$30,000</mark> x 0.011 = <mark>$330</mark>

44-50 (Reserved)

Exhibit 1

Acronyms and Abbreviations

The following table provides the acronyms and abbreviations used in this handbook if not defined at point of first use.

Approved Acronym/Abbreviation	Term
AIP	Approved Insurance Provider
ARC	Agricultural Risk Coverage
BP	Basic Provisions
CAT	Catastrophic
CCIP-BP	Common Crop Insurance Policy Basic Provisions
CIH	Crop Insurance Handbook
CP	Crop Provisions
DSSH	Document and Supplemental Standards Handbook
ECO	Enhanced Coverage Option
FCIC	Federal Crop Insurance Corporation
GSH	General Standards Handbook
HPE	Harvest Price Exclusion
HRACE	High Risk Alternate Coverage Endorsement
LASH	Loss Adjustment Standards Handbook
LAM	Loss Adjustment Manual
PASD	Product Administration and Standards Division
PDF	Portable Document Format
RMA	Risk Management Agency
RO	Regional Office
SCD	Sales Closing Date
SCO	Supplemental Coverage Option
SP	Special Provisions
STAX	Stacked Income Protection Program

Exhibit 2

(Reserved)

Exhibit 3
Form Standards

Insureds who wish to insure under the ECO may amend their policy by signing and submitting the ECO Application, developed according to these standards on or before the SCD for the first crop year the insured wishes to elect the Endorsement. The AIP may combine the ECO Application with another form (Document and Supplemental Standards Handbook Para. 303), if the combined form meets the applicable standards in place for each individual form.

1	Insured Information		
A	"Insured's Name"		(Substantive)
B	"Underlying Policy Number"		(Substantive)
C	"Street and/or Mailing Address"		(Substantive)
D	"City and State"		(Substantive)
E	"Zip Code"		(Substantive)
F	"Identification Number"		(Substantive)
G	"Identification Number Type"		(Substantive)
2	Crop Information		
A	"County Name"		(Substantive)
B	"Crop(s)"		(Substantive)
C	"Crop Year"		(Substantive)
D	"Underlying Plan of Insurance"		(Substantive)
E	"Coverage Level"		(Substantive)
F	"ECO Plan of Insurance"		(Substantive)
G	"Area Loss Trigger"	**Note:** select 90 or 95 percent.	(Substantive)
H	"Coverage Percentage"	**Note:** select from 50 percent to 100 percent. The default coverage percentage is 100 percent.	(Substantive)
3	Terms and Conditions		
A	"In addition to Section 3B(2) of the Basic Provisions, I hereby elect this Enhanced Coverage Option Endorsement, and by this election I understand: (1) I must have purchased a policy under the Common Crop Insurance Policy Basic Provisions and applicable Crop Provisions to elect this Endorsement and must also purchase this Endorsement with the same Approved Insurance Provider as my Common Crop Insurance Policy. (2) I may elect coverage under this Endorsement and Stacked Income Protection Plan for the upland cotton, but the same acreage cannot be insured under both. (3) If at any time my Common Crop Insurance Policy for the crop is cancelled or terminated, coverage under this Endorsement is automatically cancelled or terminated. (4) That by electing this Endorsement, it will continue from year to year unless I or you cancel or change my election by written notice on or before the cancellation date or my coverage is otherwise canceled or terminated under the terms of my policy. (5) Separate Administrative Fees will be assessed for each crop insured under this Endorsement.		(Substantive)
4	Required Statements		
A	Certification Statement		(Substantive)
B	Privacy Act Statement		(Substantive)
C	Nondiscrimination Policy Statement		(Substantive)
5	Required Signatures		
A	"Insured's Printed Name, Signature and Date"		(Substantive)
B	"Agent's Printed Name, Signature, Code Number and Date"		(Substantive)