UNITED STATES DEPARTMENT OF AGRICULTURE
FEDERAL CROP INSURANCE CORPORATION
SUPPLEMENTAL 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, subject to the terms and conditions described herein. The Supplemental Coverage Option (SCO) 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) or the Agriculture Risk Coverage (ARC) program.

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 86 percent.

Coverage percentage - The percentage you choose that is used to calculate the dollar amount of insurance under this Endorsement. The maximum coverage is the difference between 86 percent and the coverage level selected by you and the coverage percent is multiplied by this amount to give you your dollar amount of insurance.

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

Expected area yield - The yield 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 revenue 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 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 wide loss as compared to your supplemental coverage range. The payment factor is used to determine the amount of indemnity to be paid under this Endorsement.

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

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

Supplemental 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 and the coverage level of the underlying policy, expressed as a whole percentage.

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

2. Conditions of Insurance

(a) You must have an underlying policy, 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 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, this Endorsement will remain in effect and will provide supplemental coverage based on the coverage level and plan of insurance you selected for the underlying policy unless you cancel this Endorsement on or before the cancellation date.

4. Report of Acreage

(a) In addition to section 6(c) of the Basic Provisions, if ARC has been elected for the crop on any land in the county in which you have a share, your acreage report must include:

(1) The FSA farm serial numbers assigned to land with planted acreage of the crop in which you have a share; and

(2) Whether ARC has been elected for the crop for such acreage.

(b) If we discover you have incorrectly reported any information required by paragraph (a) and the information determined to be correct results in:

(1) Acreage that is insurable under this Endorsement that was reported as uninsurable, coverage under this Endorsement will not be provided for such acreage; or

(2) Acreage that is uninsurable under this Endorsement that was reported as insurable:

(i) Your acreage report will be revised to be consistent with the correct information;

(ii) You will owe 20 percent of the premium you would otherwise be required to pay on such acreage to offset costs incurred by us in the administration of this Endorsement.

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:

(1) Acreage that is designated as covered by STAX; or

(2) Acreage on land identified by a FSA farm serial number for which ARC has been elected for the crop.

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

(1) Supplemental 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. Supplemental Protection

(a) To calculate your supplemental 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 supplemental coverage range by subtracting the coverage level of your underlying policy from the 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 supplemental coverage range from paragraph (1) by the expected crop value from paragraph (2) and by the coverage percentage you selected to determine the supplemental protection.

(b) If there are multiple coverage levels, types, or practices for the insured crop in the county, your supplemental protection will be determined separately for the acres at 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 your supplemental protection from section 6(a) by the premium rate and any premium adjustment percentages that may apply.

(1) For revenue protection underlying policies, the 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 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 and 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 supplemental 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 supplemental 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 supplemental 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 supplemental 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 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, 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.

(b) This Endorsement is available only when authorized by the actuarial documents for the crop, type, and practice in the county and cannot be made available through a Written Agreement.

12. Examples

The following are examples of the calculation of the premium, supplemental protection and indemnity of SCO for the plans of insurance that may be selected for the underlying policy. Your information will likely be different and you should consult the actuarial documents in your county and the policy information. The following facts are for illustration purposes only and apply to each of the examples.

Producer A farms 100 acres of corn in county X with an approved yield of 154.6 bushels per acre. The actuarial documents in county X show that the expected area yield is 145.0 bushels per acre, the projected price is $4.00, and the expected area revenue is $580.00. From the actuarial documents in county X, Producer A elects the 70 percent coverage level for the underlying policy, which results in a liability for the underlying policy of $43,288 based on the projected price. The producer elects a coverage percentage of 100 for SCO.

The premium rate is based on the published volatility factor and for this example is 0.3240 for revenue protection underlying policies, 0.2544 for revenue protection underlying policies with the Harvest Price Exclusion, and 0.1586 for all other policies. The subsidy factor for SCO is 0.65.

At the end of the insurance period, for county X, FCIC releases a harvest price of $4.30, a final area yield for county X of 110.2 bushels, and a final area revenue for county X of $473.86. For the revenue protection example only, the liability for the underlying policy increases to $46,535.

<u>Examples for revenue protection underlying policies:</u>

<u>Supplemental Protection calculation (for premium):</u>

Step 1: Calculate the supplemental coverage range

Formula: Area loss trigger minus coverage level of the underlying policy equals supplemental coverage range

0.86 - 0.70 = 0.16 supplemental coverage range

Step 2: Calculate the Expected Crop Value

Formula: Liability of the underlying policy divided by the coverage level of the underlying policy equals expected crop value

$43,288 ÷ 0.70 = $61,840.00 expected crop value

Step 3: Calculate the Supplemental Protection

Formula: Supplemental coverage range times expected crop value times coverage percentage equals supplemental protection

0.16 x $61,840.00 x 1.00 = $9,894 supplemental protection

<u>Premium calculation:</u>

Step 1: Calculate the Total Premium

Formula: Supplemental protection times premium rate equals total premium

$9,894 x 0.3240 = $3,206 total premium

Step 2: Calculate the Subsidy amount

Formula: Total premium times subsidy factor equals subsidy

$3,206 x 0.65 = $2,084 subsidy

Step 3: Calculate the Producer Premium

Formula: Total premium minus subsidy equals producer premium

$3,206 - $2,084 = $1,122 producer premium

<u>Supplemental Protection calculation (for indemnity):</u>

Step 1: Calculate the supplemental coverage range

Formula: Area loss trigger minus coverage level of the underlying policy equals supplemental coverage range

0.86 - 0.70 = 0.16 supplemental coverage range

Step 2: Calculate the Expected Crop Value

Formula: Liability of the underlying policy divided by the coverage level of the underlying policy equals expected crop value

$46,535 ÷ 0.70 = $66,478.57 expected crop value

Step 3: Calculate the Supplemental Protection

Formula: Supplemental coverage range times expected crop value times coverage percentage equals supplemental protection

0.16 x $66,478.57 x 1.00 = $10,637 supplemental protection

Indemnity calculation:

Step 1: Calculate the Payment Factor

Formula: (Area loss trigger minus (final area revenue divided by (expected area yield times the higher of the projected price or harvest price))) divided by supplemental coverage range equals payment factor

(0.86 - ($473.86 ÷ (145.0 x $4.30))) ÷ 0.16 = 0.625 payment factor

Step 2: Calculate the Indemnity

Formula: Supplemental protection times payment factor equals indemnity

$10,637 times 0.625 = $6,648 indemnity

Examples for revenue protection underlying policies with the Harvest Price Exclusion:

Supplemental Protection calculation:

Step 1: Calculate the supplemental coverage range

Formula: Area loss trigger minus coverage level of the underlying policy equals supplemental coverage range

0.86 - 0.70 = 0.16 supplemental coverage range

Step 2: Calculate the Expected Crop Value

Formula: Liability of the underlying policy divided by the coverage level of the underlying policy equals expected crop value

$43,288 ÷ 0.70 = $61,840.00 expected crop value

Step 3: Calculate the Supplemental Protection

Formula: Supplemental coverage range times expected crop value times coverage percentage equals supplemental protection

0.16 x $61,840.00 x 1.00 = $9,894 supplemental protection

Premium calculation:

Step 1: Calculate the Total Premium

Formula: Supplemental protection times premium rate equals total premium

$9,894 x 0.2544 = $2,517 total premium

Step 2: Calculate the Subsidy amount

Formula: Total premium times subsidy factor equals subsidy

$2,517 x 0.65 = $1,636 subsidy

Step 3: Calculate the Producer Premium

Formula: Total premium minus subsidy equals producer premium

$2,517 - $1,636 = $881 producer premium

Indemnity calculation:

Step 1: Calculate the Payment Factor

Formula: (Area loss trigger minus (final area revenue divided by expected area revenue)) divided by supplemental coverage range equals payment factor

(0.86 - ($473.86 ÷ $580.00)) ÷ 0.16 = 0.269 payment factor

Step 2: Calculate the Indemnity

Formula: Supplemental protection times payment factor equals indemnity

$9,894 times 0.269 = $2,661 indemnity

Examples for underlying policies other than revenue protection:

Supplemental Protection calculation:

Step 1: Calculate the supplemental coverage range

Formula: Area loss trigger minus coverage level of the underlying policy equals supplemental coverage range

0.86 - 0.70 = 0.16 supplemental coverage range

Step 2: Calculate the Expected Crop Value

Formula: Liability of the underlying policy divided by the coverage level of the underlying policy equals expected crop value

$43,288 ÷ 0.70 = $61,840.00 expected crop value

Step 3: Calculate the Supplemental Protection

Formula: Supplemental coverage range times expected crop value times coverage percentage equals supplemental protection

0.16 x $61,840.00 x 1.00 = $9,894 supplemental protection

Premium calculation:

Step 1: Calculate the Total Premium

Formula: Supplemental protection times premium rate equals total premium

$9,894 x 0.1586 = $1,569 total premium

Step 2: Calculate the Subsidy amount

Formula: Total premium times subsidy factor equals subsidy

$1,569 x 0.65 = $1,020 subsidy

Step 3: Calculate the Producer Premium

Formula: Total premium minus subsidy equals producer premium

$1,569 - $1,020 = $549 producer premium

Indemnity calculation:

Step 1: Calculate the Payment Factor

Formula: (Area loss trigger minus (final area yield divided by expected area yield)) divided by supplemental coverage range equals payment factor

(0.86 - (110.2 bushels ÷ 145.0 bushels)) ÷ 0.16 = 0.625 payment factor

Step 2: Calculate the Indemnity

Formula: Supplemental protection times payment factor equals indemnity

$9,894 times 0.625 = $6,184 indemnity