

Enhanced Coverage Option (ECO)

Overview:

The Enhanced Coverage Option (ECO) provides area-based coverage for a portion of the deductible of your underlying policy in a manner similar to the Supplemental Coverage Option (SCO). It uses the same expected and final area yields, projected and harvest prices and payment factors as SCO but covers a band from 86 percent (where SCO coverage ends) up to 90 or 95 percent of expected crop value. Like SCO, ECO is based on your underlying policy plan of insurance.

ECO Availability:

ECO will first be available for the 2021 crop year nationwide for 31 crops (listed below) with a contract change date of November 30, 2020, or later.

Eligible crops for 2021:

Wheat	Silage Sorghum
Canola	Hybrid Corn Seed
Oats	Dry Peas
Millet	Peanuts
Rice	Sunflowers
Cotton	Hybrid Seed Rice
Cotton Ex Long Staple	Soybeans
Flax	Barley
Sugar Beets	Buckwheat
Corn	Flue Cured Tobacco
Popcorn	Fire Cured Tobacco
Dry Beans	Burley Tobacco
Hybrid Sorghum Seed	Dark Air Tobacco
Grain Sorghum	Cigar Binder Tobacco
Cultivated Wild Rice	Sesame
Safflower	

How to Buy ECO:

You choose ECO as an option to your underlying policy. You must make this choice by the sales closing date for your underlying policy and with the same Approved Insurance Provider. ECO will be specified in the actuarial documents when available for the crop and county but will generally follow SCO availability. You can purchase both SCO and ECO since their coverage does not overlap. ECO may not be purchased in conjunction with Margin Protection (MP), Area Risk Protection Insurance (ARPI), Hurricane Insurance Protection – Wind Index Endorsement, (HIP-WI), or for any acres insured under the Catastrophic Risk Protection Endorsement (CAT), High Risk Alternative Coverage Endorsement (HRAC), or Stacked Income Protection (STAX).

Coverage Explanation:

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

The amount of ECO coverage depends on the crop value, which is based on the liability and coverage level for your underlying policy. However, ECO differs from the underlying policy in how a loss payment is triggered. The underlying policy pays a loss on an individual unit basis and an indemnity is triggered when you have an individual loss in yield or revenue. ECO pays a loss on an area (generally county) basis, and an indemnity is triggered when there is an area-level loss in yield or revenue.

Example: You purchase Revenue Protection for corn with a 75 percent coverage level. The liability on the underlying Revenue Protection policy is \$573.75 per acre. Therefore, the expected crop value is \$765.00 per acre ($\$573.75 \div 0.75$). This leaves 25 percent (or \$191.25) uncovered as a deductible. Since the underlying policy is Revenue Protection, ECO will also provide revenue protection, except that any indemnity is determined at a county level.

The ECO begins to pay (triggers an indemnity) when county average revenue falls below 90 or 95 percent (producer's choice) of the expected level depending on which ECO trigger you select. The full amount of the ECO coverage is paid when the county revenue falls to 86 percent of expected county revenue or yield.

Example 1: 95% ECO Trigger		Example 2: 90% ECO Trigger	
Deductible (no coverage)	100-95%	Deductible (no coverage)	100-90%
ECO Coverage range	95-86%	ECO Coverage range	90-86%
SCO or ARC Coverage range	86-75%	SCO or ARC Coverage range	86-75%
MCPI coverage range	75%	MCPI coverage range	75%

ECO payments are determined 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 not receive an ECO payment, or vice-versa.

The dollar amount of ECO coverage is based on the trigger level you specify. In this example, there are nine percentage points of coverage (from 95 percent to 86 percent). Nine percent of the expected crop value is \$68.85 (or nine percent of \$765.00). ECO may cover up to \$68.85 of the \$191.25 deductible amount not covered by your underlying policy. You may purchase SCO coverage to help provide coverage for the remaining portion of deductible.

ECO Premiums and Subsidies:

The exact premium cost depends on the crop, county, type of coverage you choose, such as Yield Protection or Revenue Protection, and the trigger level of 90 or 95 percent. The Federal Government pays 51 percent subsidy for Yield Protection and a 44 percent subsidy for Revenue Protection. Premium rates are generally released in November of each year for spring crops. As a general rule of thumb, the premiums for ECO will be similar to other area plans sold at the same coverage levels. See the example below and contact your crop insurance agent for more information.

Preliminary Estimate of ECO Cost for Corn in Adair County, Iowa

Coverage Band	Amount of Coverage**	Revenue Protection		Yield Protection	
		Total Premium*	Producer Premium	Total Premium*	Producer Premium
86% to 90%	\$27.15	\$9.96	\$5.58	\$6.32	\$3.10
86% to 95%	\$61.09	\$27.80	\$15.57	\$18.90	\$9.26

* This is intended to only give a general indication of potential cost of ECO. Actual cost will vary based on actual yields, actual prices, implied market volatilities, and other factors

** This is based on a yield of 177.7 bushels/acre, expected price of \$3.82

ECO and other Area-Based Plans:

If you have elected MP, ARPI, or HIP-WI, you cannot have ECO because these products cover the same layer of expected crop value. You may not have STAX on the same acres, but you may have ECO on any acres not covered by STAX. You must cancel the MP or ARPI policy or HIP-WI endorsement by the cancellation date and purchase an underlying policy if you want to purchase ECO.

ECO and Farm Programs:

Unlike SCO, if you elect ECO and ARC for the same crop on a farm, your ECO coverage for that crop on that farm will be unaffected.

Buying Federal Crop Insurance:

All multi-peril crop insurance, including Catastrophic Risk Protection and ECO policies, must be purchased from private crop insurance agents. A list of crop insurance agents is available on the [RMA website](#) by using the [RMA Agent Locator](#).