United States Department of Agriculture

Risk Management Agency Fact Sheet

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Enhanced Coverage Option

General Information

The Enhanced Coverage Option (ECO) is a new crop insurance option that provides additional area-based coverage for a portion of your underlying crop insurance policy deductible. It must be purchased as an endorsement to the Yield Protection, Revenue Protection, Revenue Protection with the Harvest Price Exclusion, Actual Production History or Yield Based Dollar Amount of Insurance policy. ECO offers producers a choice of 90 or 95 percent trigger levels. Trigger means the percentage of expected yield or revenue at which a loss becomes payable.

Availability

ECO will be available for 31 crops (shown below), starting with the 2021 crop year, in most counties where these crops are grown. Additional crops will be added in subsequent years based on producer interest and data availability.

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

*Only for “spring” type counties in 2021

How ECO Works

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

The amount of ECO coverage depends on the liability of 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 basis and an indemnity is triggered when you have an individual loss in yield or revenue. ECO pays a loss on an area basis, and an indemnity is triggered when there is a decrease in the county level yield or revenue. ECO has two trigger levels: 90 and 95 percent. ECO provides a band of coverage between the elected trigger level and 86 percent. If the county yield or revenue is reduced beyond the trigger level, you will receive an ECO indemnity. If the reduction in yield or revenue exceeds the 86 percent threshold, you will receive an indemnity equal to the full insured liability.

Coverage Example

Suppose your corn crop has an expected value of $765.00 per acre (170 bushels at $4.50 per bushel). Assume you purchase 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.

At this point, you have the option to buy ECO coverage. Since the underlying policy is Revenue Protection, ECO will also provide revenue protection, except that payments will be determined at a county level. The ECO revenue coverage is described in the following table. ECO yield coverage performs in the same manner.

Step	ECO Coverage Calculation for 95 percent Area Trigger Level
A	ECO Endorsement begins to pay when county revenue falls belo
B	ECO Endorsement pays out its full amount when county revenue
C	Percent of expected crop value covered by ECO (A – B, or 95- 8
D	Amount of ECO Protection (C x Expected Crop Value, or 9 percer

The ECO Endorsement begins to pay when county average yield or revenue falls below 95 percent (or 90 percent, if that is the trigger level you elect) of its expected level. The full amount of the ECO coverage is paid out when the county average revenue falls to 86 percent, as shown on step B in the table.

ECO payments are determined only by county average revenue or yield and are not affected if you receive a payment from your underlying policy. Therefore, it is possible for you to experience an individual loss but to not receive an ECO payment, or vice-versa. You may also receive a loss on both the underlying policy and ECO.

The dollar amount of ECO coverage is based on the percent of crop value covered. In this example, there are 9 percentage points of coverage – from 95 percent to 86 percent. Nine percent of the expected crop value ($765.00) is $68.85 (or x9 percent x $765.00). Thus, the ECO policy can cover up to $68.85 of the $191.25 deductible amount not covered by your underlying policy. You may cover a portion of the remaining amount of the deductible with other coverage such as the Supplemental Coverage Option (SCO).

Now consider an event where the actual county revenue falls to 89 percent of the expected value. This loss is 6 percentage points less than the trigger level elected (95 percent - 89 percent = 6 percent).
This indicates a loss of 66.67 percent of the ECO coverage range (6 percent / 9 percent = 66.67 percent). This loss is then applied to the amount of ECO protection to determine an indemnity of $45.90 per acre (66.67 percent x $68.85 = $45.90).

Cost

ECO provides coverage on a portion of your deductible where losses are more frequent, so your premium will reflect that higher risk. The premium cost is shared between you and the government, where the government pays 51 percent or 44 percent of the premium for yield and revenue policies, respectively.

The exact premium cost will depend on the crop, county, coverage level selected, and type of coverage selected such as Yield Protection versus Revenue Protection. Additional variables, including the projected price and even the volatility of the applicable commodity market can also affect the amount of your premium. You should consult your crop insurance agent for detailed price quotes.

How Do I Decide If I Should Buy ECO

Federal law limits the authority for Federal Crop Insurance to insure individual farm yields at 85 percent coverage levels. If you need higher coverage levels for your farm, then ECO can offer coverage up to 95 percent, at a county level to enhance your total coverage. You should consult your crop insurance agent to determine what best meets your individual risk
management needs.

ECO with Farm Programs

Unlike SCO, ECO coverage is unaffected by participating in Agriculture Risk Coverage (ARC) for the same crop, on the same acres. You may elect ECO regardless of your farm program election.

ECO and Other Area-Based Insurance Plans

ECO cannot be elected if you have a Margin Protection or an Area Risk Protection Insurance policy. The underlying policy for ECO cannot have the Hurricane Insurance Protection – Wind Index Endorsement.
ECO coverage cannot attach to any acres that are insured by a Stacked Income Protection Plan (STAX). Acres not insured under STAX may be insured under ECO. You can select SCO on all acres covered by ECO, but you are not required to elect SCO to purchase ECO.

Where to Buy Crop Insurance

You can buy a crop insurance policy from approved participating insurance agents. A list of crop insurance agents is available at all USDA service centers and on the RMA web site at www.rma.usda.gov/tools/agent.html.

This fact sheet gives only a general overview of the crop insurance program and is not a complete policy. For further information and an evaluation of your risk management needs, contact a crop insurance agent.